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NAVAL POSTGRADUATE SCHOOL

Monterey, California



THESIS

W303

BUDGET FORMULATION: A GUIDE FOR
THE NAVY FIELD ACTIVITY
COMPTROLLER

by

Michael J. Weaver

June 1989

Thesis Advisor:

CDR Glenn Eberling

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THE NAVY FIELD ACTIVITY COMPTROLLER

by

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Lieutenant, United States Navy
B.S., University of La Verne, 1984

Submitted in partial fulfillment of the
requirements for the degree of

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ABSTRACT

This thesis examines the role of the Navy field activity comptroller in the budget formulation process. It contains practical ideas, concepts and comments regarding budget formulation by experienced field comptrollers and budget officers/analysts who are currently working in the field. This thesis is structured toward the newly reported comptroller who has had little, if any, experience in the Navy financial management arena. It attempts to promote the understanding of field activity budgeting so that the new field comptroller can apply the principles discussed for better decision making in the budgetary process.

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I. INTRODUCTION

A. PURPOSE

The purpose of this research is to examine the role of the Navy field activity comptroller in the budget formulation process, to determine general budgeting information requirements and, specifically, to give useful and practical ideas and concepts that will enable a comptroller to prepare and submit a successful command budget. The goal of this thesis is to inform the newly reported comptroller who has had little, if any, experience in the Navy financial management arena.

This thesis provides a framework for the Navy officer's understanding of the role of a field activity comptroller in the budget formulation process. It also provides an overview of the budgetary process within the Department of Defense and specifically examines within the Department of the Navy, the field activity comptroller and the budgeting skills required. In addition, it will serve as supplemental text for the Navy Practical Comptrollership Course conducted at the Naval Postgraduate School, Monterey, California and may be used as a guide for the newly reported field activity comptroller in the budgeting process.

B. PROBLEM STATEMENT

The budget is an extremely important management tool in that it has a direct impact on meeting the Commanding Officer's goals and objectives. The job of the field activity comptroller is to handle the financial management of the activity with the guidance and supervision of the Commanding Officer. The comptroller reports directly to the Commanding Officer and acts as a technical advisor on the budgetary aspects of the activity's operations. It is imperative that the comptroller understands the budgetary process so that the command's mission, priorities and goals can be accomplished.

Many Naval officers, especially from the line community, are detailed to Navy field activity comptroller positions with little, if any, practical financial management experience. They are tasked with assuming all responsibilities and duties of a field activity comptroller in a relatively short time frame. The newly reported comptroller may become overwhelmed during the budgeting period when tasked to submit a budget, especially with all of the complexities of the budget formulation process. With the high volume of budgetary directives, outdated budget submission manuals, and various departmental instructions, the new comptroller is faced with filtering out the critical information necessary for preparing a quality budget. This thesis attempts to provide a guide for the comptroller in the formulation of a field activity budget and to provide an overview of the defense budgetary process.

C. BACKGROUND

The funding climate has changed during the last several years, especially after the passage of the Balanced Budget and Emergency Deficit Act of 1985. With an increased awareness of the budget deficit, American taxpayers are becoming more attuned to the management of public funds and the federal budget.

Rudolph G. Penner, former Director of the Congressional Budget Office states:

The National debate over budget priorities seems to have reached an impasse. Congress made considerable progress in reducing the deficit in fiscal years 1983 through 1988, but the progress paled beside the immense size of the problem, and few were satisfied by the result. Our standard budget documents have become impenetrable and the budget process has become as complicated as our tax laws.

On December 12, 1985 President Reagan signed into law the Gramm-Rudman-Hollings Act (GRH) formally known as the Balanced Budget and Emergency Deficit Control Act of 1985. The major provisions of this Act include:

- * a schedule of maximum deficits for fiscal years 1986-1991
- * a new deficit-cutting procedure if Congress and the president failed to meet the mandated yearly deficit goals
- * a new timetable for budget action
- * amendments to the rules of the House and Senate to help carry out the provisions of the act. [Ref. 1:p. 283]

As a consequence of GRH, the President was required to propose, and Congress to approve, a budget whose maximum deficit was reduced by \$36 billion a year until the budget was balanced in fiscal year 1991. (see Table I) [Ref. 1:p. 283]

TABLE I
GRH DEFICIT SCHEDULE

<u>FISCAL YEAR</u>	<u>DEFICIT SCHEDULE</u>
1986	\$171.9 BILLION
1987	144.0 BILLION
1988	108.0 BILLION
1989	72.0 BILLION
1990	36.0 BILLION
1991	0 BILLION

In 1987, the Supreme Court ruled that one of the provisions of the law, automatic sequestration of funds by the Government Accounting Office, was unconstitutional based on the requirement to maintain a separation of power between the branches of government. The new Gramm Rudman Hollings legislation provided that the Office of Management and Budget was responsible for sequestration. Sequestration is simply that element of a presidential or congressional spending reduction order that occurs by reducing all spending by uniform percentages, if Congress and the President cannot agree on selective cuts that meet the deficit target. In 1987, the deficit limits were changed. These changes are shown below:

* FY 1988	\$144BILLION
* FY 1989	\$136BILLION
* FY 1990	\$100BILLION
* FY 1991	\$ 64BILLION
* FY 1992	\$ 28BILLION
* FY 1993	\$ 0

It is important to note that these limits (often called targets) may be exceeded by up to \$10 billion in any year.

Faced with mandates to reduce spending, coupled with the task of reducing the budget without crippling the organization, financial managers at the operating level are the ones who must ultimately wrestle with reduced resources and provide the means to accomplish more with less [Ref. 2:p. 7]. The Gramm-Rudman Act has forced new strategies in meeting reduced funding levels.

The Reagan budget revolution created a gigantic shift (an increase of 13% in defense spending between 1981 and 1986) in resources from the civilian sector to the military budget [Ref. 1:p. 268]. The Reagan Administration proposed a real increase in defense spending of seven percent a year. Based on an estimate of an eight percent inflation rate, this amounted to an initial increase of \$32 billion in a \$200 billion defense budget. Over five years, total budget authority for defense would amount to about \$1.5 trillion. [Ref. 1:p. 268]

The budget is a combination of an administrative and a legislative process. The task of developing the budget has been delegated to the Executive Branch; the function of review and approval rests in the hands of the Legislative Branch. Thus, when an activity prepares its budget it will be forwarded up through the chain of command and combined with other budgets. In the final analysis, the activity's budget

becomes a part of the Department of the Navy Budget, which in turn becomes a part of the Department of Defense Budget. Ultimately, it becomes a part of the President's Budget presented to the Congress for review, modification, and approval. [Ref. 3:p. III-1]

While major policy decisions are taken through the PPBS and passed down the chain of command, there is a similar budget process occurring at the field command level. Here, the development of the budget starts at the lowest echelon (the cost center within an activity). It is at this initial level that budget requests are generated and forwarded up through the military budget chain of command and meshed into the Planning, Programming and Budgeting System (PPBS) and presented to Congress. The importance and quality of budget inputs at these base levels should not be overlooked but examined carefully with a sincere effort to maximize available resources with sound decisions.

D. SCOPE

The primary scope of this thesis will focus on Navy field activity level budget formulation. Activity level budgeting is the main thrust of this research and it is the intention of this thesis not only to identify and discuss budgeting concepts, guidelines and procedures but to suggest specific ideas and recommendations which field comptrollers feel have proven to be successful in the budgeting process. This thesis

is designed to provide a reference guide for the newly reported comptroller at the field activity level. It examines the duties and responsibilities of Navy field activity level comptrollers and key budgetary personnel in the budget formulation process. It also provides an overview of the defense budgetary process and illustrates how the field comptroller fits into this process.

This thesis is not intended to be a comprehensive document on Navy budgeting. Its scope will be sufficiently broad to familiarize the Navy field comptroller on the budget structure, budget formulation procedures and process and will include specific references for detailed budgetary topics. In addition to budget formulation, budget justification will be discussed. Budget reports and exhibits will be limited to the OP-32 and the OM-6 which were found to be used by most Naval field activities with O&M,N funds. Budget execution is beyond the scope of this thesis and would be recommended for future thesis research.

E. METHODOLOGY

The methodological approach to this thesis was through field research. The data used in this thesis was the Naval Air Stations under the Commander, Naval Air Force, U.S. Pacific Fleet. (see Appendix A)

The major focus was on the Expense Operating Budget which carries the Operation and Maintenance, Navy (O&M,N)

Appropriation. O&M,N is the core of funds common to most field activities. These funds support the day-to-day mission-related operations of an activity. The primary data was collected from Navy comptrollers and their staff (budget officers/analysts). This was accomplished by traveling to various Naval commands throughout California and conducting personal interviews with Navy comptrollers and their staff.

These in-depth interviews included not only procedural advice, but their perspectives on preparing and submitting a successful budget with emphasis on their own specific ideas as to what key budgetary practices they felt necessary and effective. Each interview lasted from one to three hours and a questionnaire was used as a guide for all interviews (see Appendix B). The level of importance of budgetary topics and the relevant information that should be known by all comptrollers at the field activity level were discussed. Specifically, the comptrollers and their staff pointed out key points, ideas and recommendations on budgeting which are not documented in current literature and directives but have proven to be successful at their commands. Their ideas, comments, and recommendations are reflected throughout this thesis.

A secondary source of information was obtained by a thorough review of current Navy directives, manuals, instructions and other professional literature on the budgetary process within the Department of the Navy. Phone

conversations were also held with other field activity comptrollers and representatives from the Office of the Comptroller, Department of the Navy.

F. THESIS ORGANIZATION

This thesis is organized as follows: Chapter II discusses concepts in budgeting, a brief discussion of Navy budgeting and an overview of the Planning, Programming and Budgeting system (PPBS). It also includes the key budget players in the budget formulation process. Its purpose is to familiarize the field comptroller with an overview of the budgetary process.

Chapter III specifically addresses the role of the field comptroller during budget formulation. It examines the procedures of the budget call and the budget request. The Navy's Resource Management System is covered in this chapter.

Chapter IV is entitled Budget Justification. This chapter concentrates on the necessary writing and presentation skills that the field comptroller will need in preparing a strong justification.

Chapter V covers the conclusions that were made as a result of this research.

II. BUDGET FORMULATION

A. BUDGET CONCEPTS

The Budget is of primary concern to any activity that wishes (1) to survive, (2) implement its programs, and (3) influence its environment [Ref. 4:p. 18]. The mere mention of the word "budget" elicits emotional responses at all levels of a field activity. One comptroller said:

It is a pervasive entity that can bring strong men to their knees, and a term that is often likened to a four-letter expletive. Perhaps most intriguing, it can assume a life of its own, overshadowing the program or project it was originally meant to support. [Ref. 4:p. 18]

The failure to understand the budget and its underlying basics will only lead to a poor financial plan. The time the comptroller spends in budget formulation could be time well spent and could contribute significantly to the successful accomplishment of the activity's mission.

The following is an operational definition of the term "budget": A "Budget" is a plan for the accomplishment of programs related to objectives and goals within a definite time period, including an estimate of resources required, together with an estimate of the resources available, usually compared with one or more past periods and showing future requirements. [Ref. 5:p. 13]

According to the DON Programming Manual, a budget is:

a planned program for a fiscal period in terms of estimated costs, obligations and expenditures, and sources of funds for financing, including reimbursements anticipated, and other resources to be applied.

The Navy Comptroller Manual (Volume 7) defines the budget as an instrument of planning, decision-making, and subsequent control.

These definitions only describe what is essentially the surface of a budget. They do not really address and clarify what a budget is intended to do or why one is required. A budget is meant to be a dynamic flow of events in that it should provide the basis for organizational activity and a measure of its performance. [Ref. 4:p. 18] LTC Michael E. Thorn, former Director Plans and Management DCS/Comptroller, HQ AFSC explains the intentions of a budget and why one is required:

A budget is required simply because there are more desires and requirements than there are means to support them. However, given that a manager normally wants to 'move' something in an environment of constrained resources, the budget assumes a role of supreme importance. This role is not based solely upon the mere ability of a budget to provide the wherewithal to do something. Rather, the budget is critical because it provides CONTROL over what is moved, how, when and by whom. And, in the final analysis, control is the essence of effective management. The trick is to be the person who has that control.

Aaron Wildavsky, a budget policy expert expresses his view of a budget:

In the most literal sense, a budget is a document, containing words and figures, which proposes expenditures for certain items and purposes. Presumably, those who make a budget intend that there will be a direct connection between what is written in it and future

events. Hence, we might conceive of a budget as intended behavior, as a prediction. The budget thus becomes a link between financial resources and human behavior to accomplish policy objectives. In the most general definition, budgeting is concerned with the translation of financial resources into human purposes.

Within the framework of these budget definitions are underlying concepts which the Navy field activity comptroller must understand in order to prepare a successful command budget. The comptroller should understand the budget, not the mechanics of the term, (that's why we have budget specialists), but the underlying basics of a budget and how it can be put to a practical use in the management of an activity's resources. [Ref. 4:p. 18] The budget serves as a focus of the planning process, as an integrative tool for the many plans, and as a baseline for the control process within the activity.

There are basically three phases to the budget cycle:

- * Budget Formulation
- * Budget Execution
- * Budget review and audit.

Budget formulation is the phase of budgeting in which program decisions and costs are translated into an initial budget with review, modification and approval within the Department of the Navy. Budget Execution is the second phase of budgeting in which the activities obligate, and expend funds in order to carry out their programs. Budget review and audit is the third phase of budgeting in which the completed

fiscal year is examined to see if requirements were met. Budget Execution, Review and Audit is beyond the scope of this thesis.

There are many different approaches to the budget process. The **incremental** budgeting approach focuses on adjustments to the base (e.g., inflation) and by increasing and decreasing the base by providing adequate justification. Incremental budgeting concentrates on additional dollars that are necessary to continue those projects and functions that have been identified as helping to achieve the organizations goals. Wildavsky states:

The largest determining factor of the size and content of this year's budget is last year's budget. Most of the budget is a product of previous decisions. [Ref. 6:p. 13]

Comprehensive Budgeting involves making larger adjustments to the budget (part or all) and justifying those increases. Zero Based Budgeting is an example of comprehensive budgeting. It was implemented by the Carter Administration in 1977 and requires financial managers to examine programs at various funding levels and rank them in order of importance. It involves the setting of objectives, priorities and developing alternative methods. This method has not been widely accepted in DOD. The "sunset" legislation approach also involves making adjustments to the base but in addition, the budget is reviewed as a whole every year in the sense of reconsidering the value of all existing programs as compared to all possible

alternatives. Entire Program and Resource requirements are examined.

Another Budgeting approach is the process of Management by Objectives (MBO). MBO has received considerable attention over the past few years. MBO is a management plan in which goals, objectives and priorities are set so that the people can become involved with the implementation of these plans with emphasis on communications for responsiveness and on-board sharing in authoritative goals and objectives. There are specific intermediate milestones in which progress toward these goals and objectives can be measured. When using the MBO approach, Command strategies and policies can be promulgated in the budget call, causing lower echelons to develop their objectives concurrently with budget preparation.

All budget systems require cost information, thus the comptroller must understand the various cost concepts. For example, if the comptroller is dealing with cost analysis, the comptroller must first understand what constitutes cost. Below are descriptions of the different types of cost.

- * Fixed cost: Costs which are expected to remain unchanged over the relevant range of operations. However, there is no such thing as a truly fixed cost.
- * Variable cost: Costs which vary per unit of output or with some other type of activity (man hours, floor space, etc.).
- * Incremental Cost: Incremental costs are those costs which change with the alternative under consideration. An example would be gas and maintenance for a vehicle.
- * Total Cost: The sum of all fixed and variable costs.

- * Total average cost: Total full cost divided by the number of units of output.
- * Accrued cost: Recording cost in such a manner that expense is actually charged during the period which the cost provides the service. In order to budget properly, the comptroller must be able to match program output with the cost of producing the output.
- * Controllable and non-controllable costs: These costs will vary depending upon the activity. For example, some activities have a substantial portion of the O&M,N budget which is non-controllable or nondiscretionary (amount of cost incurred in or assigned to a responsibility center that is not significantly influenced by the actions at the center. A typical naval air station may have non-controllable costs as high as 90%. The other 10% is controllable. [Ref. 7:p. 6-3]
- * Sunk costs: Costs which cannot be changed no matter what alternative course of action is chosen. Sunk costs are irrelevant to decision making.
- * Opportunity cost: This is one of the most important cost concepts for the comptroller. While it is often difficult to put a price tag on opportunity cost, this cost is the true cost of taking a specific course of action. This means if you decide to spend the money on painting you might have to spend less on building repairs. It is the value of something else foregone.

Every comptroller should spend considerable time and effort in planning for the future. The primary concern today is the allocation of scarce resources. One method for determining the best allocation of resources is called economic analysis. There are times when the field comptroller can apply this method on smaller projects and acquisitions. Economic Analysis is basically a conceptual framework for investigating problems of choice by cost and benefits. It uses different costing methods, present value concepts and evaluates alternatives. The comptroller should be familiar

with the Economic Analysis Handbook SECNAVINST 7000.14B, which is updated annually by DOD. Table I on the following page provides the inexperienced field comptroller with a simple economic analysis guide. [Ref. 8:p. 278]

B. NAVY BUDGETING

The Navy budget is an instrument of planning, decision-making and management control. It is also a statement of policy. The Nation's Defense Policy, as contained in the FY 1988-89 budget, is to "preserve peace by maintaining sufficient strength to deter war." [Ref. 7:p. 1-2] The FY 1988-89 Budget Objectives of the Department of Defense were to:

- * modernize strategic forces,
- * improve readiness and combat endurance of conventional forces,
- * maintain sufficient maritime strength to assure our ability to respond military to world crises,
- * strengthen alliances and coalitions to project U.S. interest and achieve NATO objectives, and
- * develop and procure effective conventional equipment. [Ref. 7:p. 1-2]

Obviously the Department of the Navy (DON) budget is too large and complex to be captured in all its detail in a single document. Furthermore, it is not the budget of just a single organization. On the one hand it consists of the compilation of the budget of the many organizations within the Department. On the other hand it exists as a subset of the Department of Defense's Budget, the President's budget, and the Congressional budget (as enacted by appropriations). Nevertheless, the budget of the Department of the Navy does express in financial terms the plan for accomplishing objectives, is used for decision-making and management control, and does represent a statement of priorities. [Ref. 9:p. i-1]

TABLE I

COMMON SENSE APPROACH TO ECONOMIC ANALYSIS FOR FIELD COMPTROLLERS

THREE BASIC ECONOMIC PRINCIPLES

1. Consider all reasonable alternatives of reaching objectives.
2. Determine full life cycle costs and benefits
3. Express all costs and benefits in constant dollars - present value.

SIX STEPS

1. Establish objectives (define).
2. Choose alternatives (feasible).
3. Formulate assumptions, treating uncertainties--and reasons for assumptions.
4. Determine costs and benefits.
5. Compare costs/benefits--rank alternatives.
6. Sensitivity analysis--if five choices not clear, determine behavior by varying major variables and uncertainties.

ECONOMIC LIFE (OF PLANT AND EQUIPMENT)

1. Production life (time needed to produce). Economic life.
2. Physical life (how long it will last).
3. Technological life (until obsolete).

BENEFIT ANALYSIS

1. Direct cost.
2. Efficiency/productivity efficiency.
3. Other quantifiable benefits.
4. Other non-quantifiable benefits.

TREATMENT OF INFLATION (TIME)

1. Time lag until implementation.
2. Time impact over life of affected project.

IMPACT OF ALTERNATIVES

1. On operating/production costs.
2. On investment funding
3. On people/hiring/skills/etc.
4. Overhead.
5. On scarce resources.

The Navy's budget is a financial plan of action--A plan to meet not only current year objectives but future year objectives. Part of that plan is the operating budget at the field activity.

An operating budget is the Commanding officer's plan of action stated in terms of dollars. It is a plan against which performance can be measured, variances analyzed and adjustments made. It identifies the resources required to accomplish assigned missions. The development of an operating budget starts at the lowest echelon (typically a cost center). The field activity comptroller is tasked with assimilating the requirements of the cost centers and summarizing those requirements in the Command budget. It is also very important for the field activity comptroller to understand the big picture of the budgeting system in the Department of the Navy. Knowing how and why the system works can contribute significantly to the comptroller's understanding of the importance of the comptroller's job. The comptroller must know what happens during the budget cycle and should be able to respond and adapt effectively with change in missions and with changes in funding. The comptroller must maintain effective communications with all concerned in the budgeting system: Commanding Officer, Cost Centers (Departments), Major/sub-claimant, other Naval activities, NAVCOMPT and other comptrollers.

For example, one comptroller stated that "effective communication is a must; almost every day I call another fellow comptroller regarding financial issues and policies." This not only facilitates effective budget formulation but potential problems and shortfalls may be avoided.

With all the complexities of the budgetary process, an overall perspective of budgeting will prepare the comptroller to contribute more in his or her job.

C. PLANNING, PROGRAMMING, BUDGETING SYSTEM (PPBS)

The Planning, Programming, and Budgeting System (PPBS) is the management system used by the Department of the Navy to develop the Defense Budget. A discussion of PPBS and the resources within the Department of the Navy is included to provide the comptroller with an overview of the defense budget process.

The PPBS concept was developed and installed by Charles J. Hitch, the Assistant Secretary of Defense (COMPTROLLER) under Robert McNamara (SECDEF), in the FY 1963 DOD budget. It was a revolutionary change, introducing the concept of programming as a bridge between the already established functions of military planning and budgeting. [Ref. 7:p. 3-2]

PPBS is comprised of three phases: First, a planning phase where the global threat is assessed and the strategy defined. Second, a programming phase which translates the strategic plans into programs defined in terms of forces, personnel, material and dollars. Third, a budgeting phase which expresses the programs in terms of biennial funding

requirements. The fiscal year 1986 (FY 86) DOD Authorization Act changed the historical one year budget cycle to a two year (biennial) cycle as a result of Congress' belief that programs and activities could be managed more effectively and efficiently with a biennial vice annual budget. Figure 1 shows the PPBS concept. Under PPBS, its original six goals in 1961 were:

- * centralize leadership in the DOD,
- * transform the budget into a policy instrument,
- * explicit consideration of real alternatives,
- * create an active analytical staff,
- * multiyear force and financial plan,
- * open analysis involving due process.

Most of these goals are being accomplished today but as each new Secretary of Defense takes office, his own style of management imposes adjustments on an already existing base [Ref. 10:p. 20].

The goal of PPBS is to make the most efficient and effective allocation of resources to meet our national defense objectives. Through PPBS, the Navy attempts to choose between programs based on their nature, purpose and scope. The extensive planning and priority setting activities of PPBS allow the Navy to make the required decisions within the constraints of the resources available. Navy resources are divided in many different ways. There are thousands of

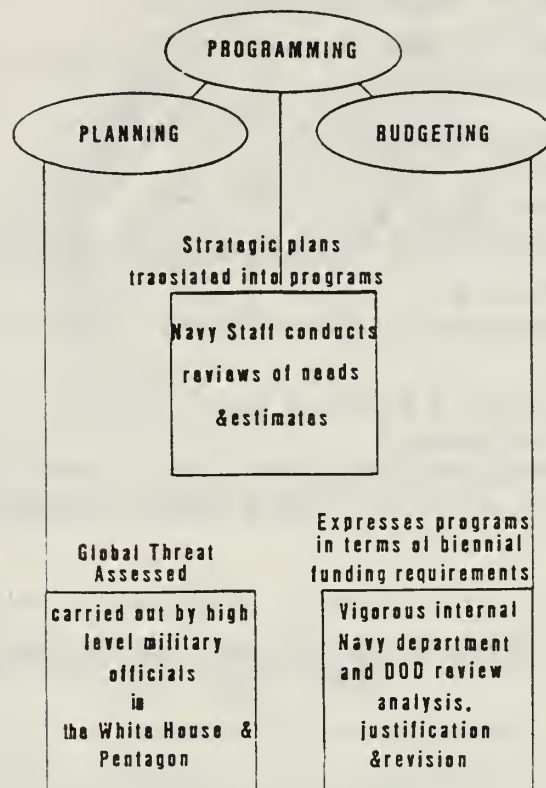


Figure 1. PPBS Concept

programs within the Navy that are grouped under Major Program headings. These programs are supported by funding in the form of appropriations.

The Navy consists of 11 Major Programs which aligns manpower, dollars and forces with operating budget activities (see Figure 2).

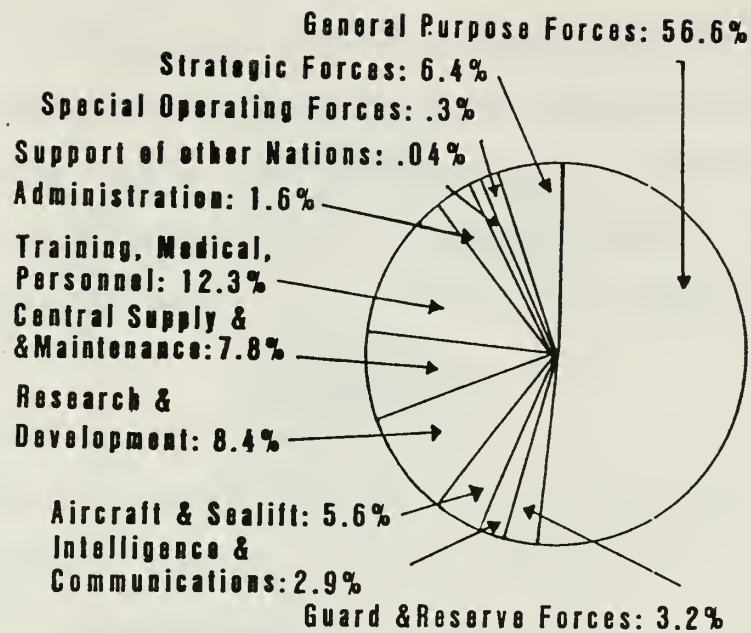


Figure 2. Major Programs and Percentages from POM 90
[Ref. 7:p. 3-5]

These major programs are further divided into program elements--the smallest part of military resources that is controlled at the Defense Department level. A program element is an identifiable weapons system, integrated activity (a group of like functions), research activity (such as a testing facility), or a support function consisting of any combination of men, equipment and facilities. [Ref. 7:p. 3-6] These program elements are coded and each program element has a sponsor who is responsible for proposed program changes and a resource sponsor who reviews and defends the program element during PPBS [Ref. 7:p. 3-7] Figure 3 shows how the Program element is broken down.

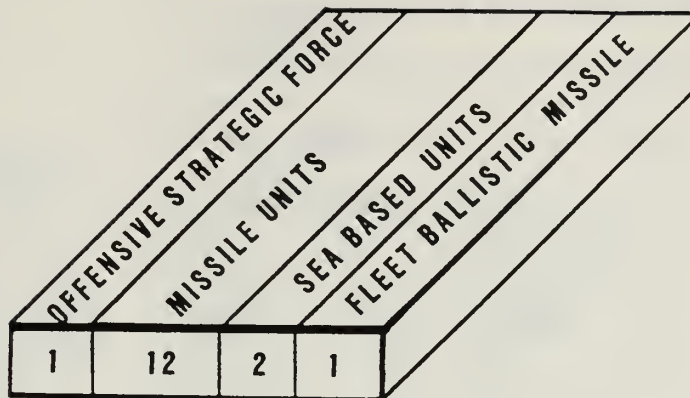


Figure 3. Program Element--Fleet Ballistic Sea-Based Missile System Used for Offensive Purposes

The DOD Program Structure Codes and Definitions Handbook (DOD 7045.7) defines the characteristics of the digits as shown in Figure 3. The program elements are the basic building blocks of the Five Year Defense Plan (FYDP). There are almost 2000 DOD program elements.

The FYDP is set up by major program and appropriation and is a summary of the decisions that have been approved by SECDEF on the Department of Defense's program. To understand the FYDP and the budget cycle, the comptroller must understand certain budgetary terms. First, the fiscal year is the federal accounting year beginning 1 October and ending 30 September the following year. The budget year (BY) is the budget that will be submitted next to Congress. The current budget year (CY) is the year before the budget year; the prior year (PY) is the year before the current budget year. Table

II shows an example of the winter of 1989 when the 1991-92 budget was submitted to Congress.

TABLE II
BUDGET YEARS

<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
PY	CY	BY	BY+1

The FYDP displays the manpower, dollars and forces involved in the approved program for eight years. Table III displays the FYDP for the 92-93 budget. [Ref. 7:p. 5-2]

TABLE III
FYDP

<u>1990 91</u>	<u>92 93</u>	<u>94 95 96 97</u>	<u>98 99 2000</u>
PY CY	BY BY+1	+ 4 YEARS	+ 3 YEARS (FORCES ONLY)

This base document (FYDP) presents data in two ways. The first is by major force programs (such as strategic forces, tactical forces, research and development). The second is by appropriation, the structure used by Congress. Figure 4 shows the FYDP structure.

The FYDP is updated three times a year. In January, it reflects the President's Budget. In May, the Program Objectives Memorandum (POM) is submitted. For example, in the Navy, the POM contains the Navy programs planned for a six

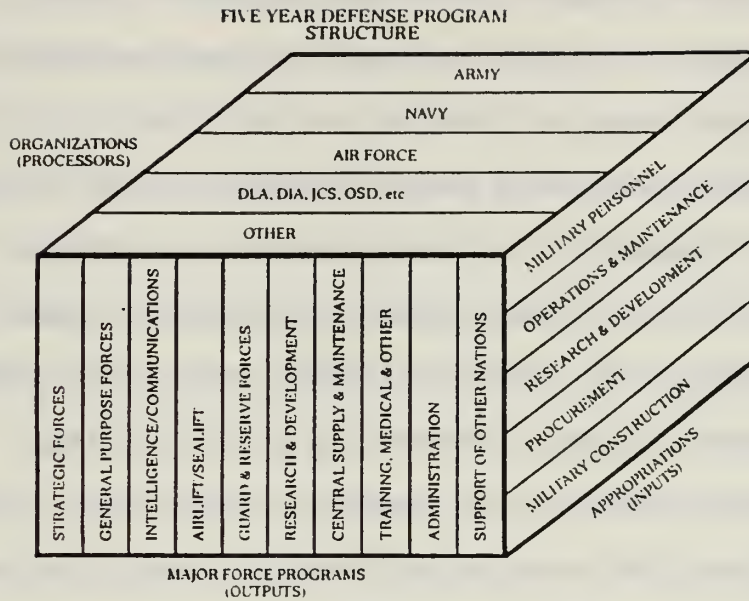


Figure 4. FYDP Structure

year period but only the first two years of the POM will be transformed into the budget and submitted to Congress. [Ref. 7:p. 5-1] Table IV show POM 92-93 which covers the following years. [Ref. 7:p. 5-3]

TABLE IV

POM 92-93

<u>1990 91</u>	<u>92 93</u>	<u>94 95 96 97</u>
PY CY	BY BY+1	NEXT 4 YEARS

The POM gets a great deal of attention since this provides the vehicle for all major budget policy decisions within the

Department of the Navy (DON). The POM is divided into subunits called Program Decision Packages (PDPs) which are prioritized allowing Navy managers to make adjustments based on changing patterns of funding.

In September of each year, the FYDP it is updated again following submission of each Service's Budget Estimate Submission (BES). This system of updates keeps the FYDP current and helps it become the base from which the Services can do their planning, programming and budgeting.

In summary, PPBS is a resource allocation tool. PPBS starts when the JCS and the Unified and Specified Commanders begin analyzing and describing the perceived threat in the Joint Strategic Planning Document. The service secretaries review the Joint Strategic Planning Document and each service submits their POMs. The Secretary of Defense approves the POM with the Program Decision Memoranda. The Navy portion is directed and coordinated by the Director of Navy Program Planning and the costs of these approved programs are budgeted. Through the Congressional process, decisions are made concerning the allocation of DON resources. The next section addresses the types of appropriations within DON. Although the scope of this thesis is limited to budgeting formulation, it is important that the field comptroller understands the appropriation process and its impact on budgeting.

D. APPROPRIATIONS

The 11 major Naval programs are supported by funding in the form of appropriations. Congress approves these appropriations which enables the Navy to carry out their major programs. An Appropriation is an authorization by Congress to incur obligations for specified purposes and to make payments from the Treasury. Appropriations are divided into budget activities and further divided into subactivities, programs, projects and elements of expense. Operation and Maintenance (O&M) Appropriations are available for incurring obligations only during one fiscal year as specified in the Appropriation Act, and activities holding allotments under O&M receive an Expense Operating Budget (EOB). The Operation & Maintenance, Navy (O&M,N) appropriation finances the basic day-to-day operation and maintenance of the Fleet and principal shore activities of the Navy. Other types of appropriations are: Procurement and Shipbuilding, Stock Funds, Family Housing, Military Construction, Research and Development and Military Personnel. Appropriations have specific Obligational Availability Periods or durations which can be grouped as annual, multi-year or no year. Annual/one year are available for incurring obligations only during the fiscal year specified in the appropriation. Multi-year are available for incurring obligations for a definite period in excess of one fiscal year. No year are available for incurring obligations for an indefinite period of time (i.e.,

Revolving funds). Figure 5 shows the Appropriation percentages of the FY 1988/89 Amended Biennial Budget and the Obligation Availability Period. Appropriations are also separated into two types--expense and investment. Expense appropriations such as operations and maintenance, and military personnel are used to finance the cost of ongoing operations. Investment appropriations are for investments (as opposed to ongoing operations) such as Procurement and Military Construction.

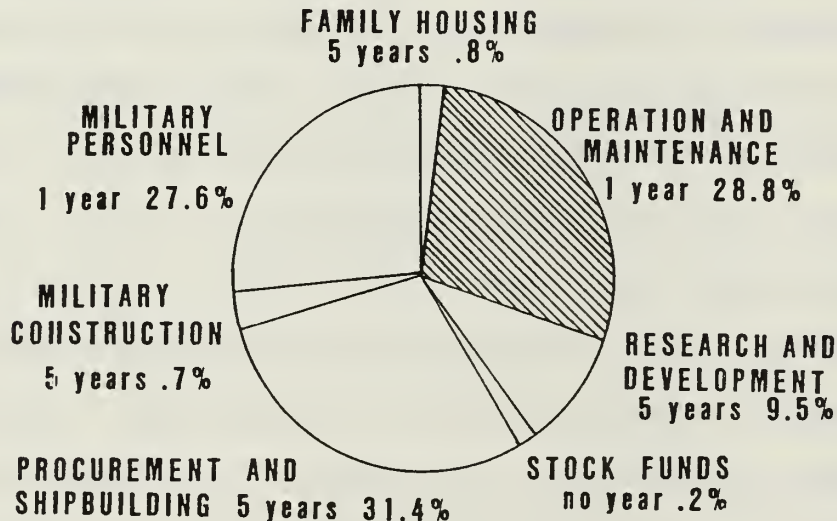


Figure 5. FY 88/90 Amended Biennial Budget and Obligation Availability Period [Ref. 7:p. 3-8]

The appropriations are authorized and passed by Congress prior to the beginning of the fiscal year. "Supplemental" appropriations may be authorized by Congress during the fiscal year for contingency requirements. A chart of the Department

of the Navy Appropriations/Accounts is shown on the following page.

E. KEY BUDGET PLAYERS

1. Introduction

In order to better understand the budgetary process, the field comptroller must first understand the key figures in the budget process. Naturally, the department heads, staff and Commanding Officer of the field activity will be working closely with the comptroller on a week-to-week basis, but a broader view of the external organizations and players involved in the budgetary process will broaden the comptroller's perspectives on the overall process.

2. The Navy Comptroller

Unlike other service comptrollers, the structure of the Navy Comptroller's office is unique in that the Navy Comptroller (NAVCOMPT) is an Executive Service (civilian) employee. NAVCOMPT is the Assistant Secretary of the Navy for Financial Management, ASN (FM) and reports to the Undersecretary of the Navy. The Navy Comptroller's office prescribes Navy wide budget policies and procedures. NAVCOMPT is also responsible for:

- * providing guidance, instructions and review for the preparation of budgets,
- * a continuous review of the execution of approved budget plans and programs
- * reviewing financial requirements and justifications for Navy programs and preparing the budget for submission to the office of the Secretary of Defense and the Office of Management and Budget, and to Congress.

DEPARTMENT OF THE NAVY APPROPRIATIONS/ACCOUNTS

Military Personnel, Navy (MPN)
Military Personnel, Marine Corps (MPMC)

Reserve Personnel, Navy (RPN)
Reserve Personnel, Marine Corps (RPMC)

Operation and Maintenance, Navy (O&M,N)
Operation and Maintenance, Marine Corps (O&MMCR)
Operation and Maintenance, Navy Reserve (O&MNR)
Operation and Maintenance, Marine Corps Reserve (O&MMCR)

Aircraft Procurement, Navy (APN)

Weapons Procurement, Navy (WPN)

Shipbuilding and conversion, Navy (SCN)

Other Procurement, Navy (OPN)

Procurement, Marine Corps (PMC)

Research, Development, Test and Evaluation, Navy (RDT&EN)

Military Construction, Navy (MCON)
Military construction, Navy Reserve (MCONR)

Family Housing (Construction, Navy (FHCON)
Family Housing (Operations and Debt), Navy (FHOPS)

Revolving Funds

Navy Stock Fund (NSF)
Navy Industrial Fund (NIF)
Marine Corps Industrial Fund (MCIF)

The Office of Budget and Reports (an office in NAVCOMPT) is officially titled the Office of Budget and Reports/Fiscal Management Division (NCB/OP-82) and prepares and administers the DON Budget for the Secretary of the Navy. NCB is "double-hatted." NCB/OP-82 reports not only to NAVCOMPT but also to the Office of Navy Program Planning (OP-80) under the Chief of Naval Operations. NCB/OP-82 is responsible to the Secretary of the Navy through the Comptroller and proposes changes to the budget. Justifications are also prepared to defend the budget before higher levels. All NAVCOMPT direction is approved by the Secretary of the Navy. The Assistant Comptroller, Financial Management Systems/Commander Navy Accounting and Finance Center (NCF)/(NACF) is under NAVCOMPT and is responsible for providing policy and procedures to be used in the design of financial management systems, coordinating the development, and ensuring that all DON accounting systems are in compliance with the Comptroller General Standards.

2. Chief of Naval Operations (CNO)

The Office of the Chief of Naval Operations (OPNAV) is responsible for development and justification of program requirements for the Navy. The two primary staff offices under OPNAV are the Deputy Chiefs of Naval Operations (DCNO) and the Navy Program Planning Office (OP-80). The DCNO's primary role in the budget process is during the formulation stage and involves the justification of requirements to

NAVCOMPT, Office of Secretary of Defense (OSD) and Office of Management and Budget (OMB) and Congressional review levels. The primary budget function of the Navy Program Planning Office is to resolve Navy budget issues when necessary, including the accommodation of program adjustments. Also, they assist NAVCOMPT in the translation of both the Navy Planning Objective Memorandum (POM) and the Program Decision Memorandum (PDM) from program terms to budget terms. [Ref. 9:p. I-15]

3. Sponsorship

Within the Office of the Chief of Naval Operations, sponsorships of DON resources are assigned to various offices. For example, an appropriation sponsor is responsible for managerial control over a certain appropriation. The sponsor assists in solving funding deficiencies during budget formulation. There are three kinds of sponsors:

* Resource Sponsors

- * determine objectives of programs
- * determine support requirements of programs
- * evaluate military worth of weapons
- * submit requests for changes expressed by claimants
- * are responsible for programs being effective and balanced

* Assessment Sponsors

- * monitor program development as recorded in the POM
- * determine baselines for programs so assessments can be made
- * identify long and short-term programming issues

* Appropriation Sponsors

- * managerial control over a designated appropriation
- * assist Resource and Assessment Sponsors
- * testify before Congress
- * recommend the reprogramming of funds

The following page provides a list of the Navy's sponsors.

4. Secretary of the Navy (SECNAV) and the Secretary of Defense (SECDEF)

The Secretary of the Navy has overall responsibility for the policies and control of the Department of the Navy. SECNAV has the following principle policy advisors:

- * Under Secretary of the Navy
- * Deputy Under-Secretary of the Navy
- * Assistant Secretaries of the Navy
- * General Counsel

These civilian political appointees assist the SECNAV in the management of the Navy's resources. SECNAV reports to the Secretary of Defense (SECDEF) who is responsible for gathering each service department's requirements, advising the President, outlining policy alternatives, negotiating with Congress, and executing laws and programs authorized by Congress [Ref. 7:p. 2-7]. The primary office responsible for DOD budgeting is the Office of the Assistant Secretary of Defense (Comptroller). This office is responsible for conducting an annual budget review with the Office of Management and Budget and recommending adjustments as appropriate. The Defense Resources Board (DRB) is an advisor

APPROPRIATION RESOURCE ASSESSMENT SPONSORS

APPROPRIATION SPONSORS

<u>APPROPRIATION</u>	<u>SPONSOR</u>
Military Personnel, Navy (MPN)	OP-01
Military Personnel, Marine Corps (MPMC)	CMC
Reserve Personnel, Navy (RPN)	OP-095
Reserve Personnel, Marine Corps (RPMC)	CMC
Operation and Maintenance, Navy (O&MN)	OP-82
Operation and Maintenance, Marine Corps (O&MMCR)	CMC
Operation and Maintenance, Navy Reserve (O&MNR)	OP-095
Operation and Maintenance, Marine Corps Reserve (O&MMCR)	CMC
Aircraft Procurement, Navy (APN)	OP-05
Weapons Procurement, Navy (WPN)	OP-03
Shipbuilding and Conversion, Navy (SCN)	OP-03
Other Procurement, Navy (OPN)	OP-82
Procurement, Marine Corps (PMC)	CMC
Research, Development, Test and Evaluation, Navy (RDT&EN)	OP-098
Military Construction, Navy (MCON)	OP-04
Military construction, Navy Reserve (MCONR)	OP-095
Family Housing (Construction, Navy (FHCON)	OP-04
Family Housing (Operations and Debt), Navy (FHOPS)	PO-04

RESOURCE SPONSORS

<u>PLATFORM</u>	
Submarine	OP-02
Surface	OP-03
Aviation	OP-05
<u>SUPPORT</u>	
Manpower, Personnel and Training	OP-01
Logistics (including Sealift)	OP-04
Medical	OP-093
Command, Control, and Communications	OP-094
Oceanography	OP-07
Research, Development, Test and Evaluation/Acquisition	OP-098
Intelligence	OP-092
Command/Administration	OP-098
Military Assistance	OP-06
Plans, Policy/Operations	OP-06

ASSESSMENT SPONSORS

<u>ASSESSMENT AREA</u>	
Manpower, Personnel and Training	OP-01
Ship Maintenance/Modernization	OP-03
Logistics	OP-04
Research, Development and Acquisition	OP-098
Naval Reserve	OP-095
Physical Security	OP-09N
Naval Warfare (including Electronic Warfare)	OP-07
Mapping, Charting and Geodesy	OP-096

to SECDEF that is chaired by the Deputy Secretary of Defense and is comprised of the Under and Assistant Secretaries of Defense, the Director of Planning Analysis and evaluation and the Secretaries of the Military Departments. Almost all program and selected budget issues are discussed at DRB meetings. [Ref. 9:p. I-9] Figure 6 shows the Navy's Financial Organization.

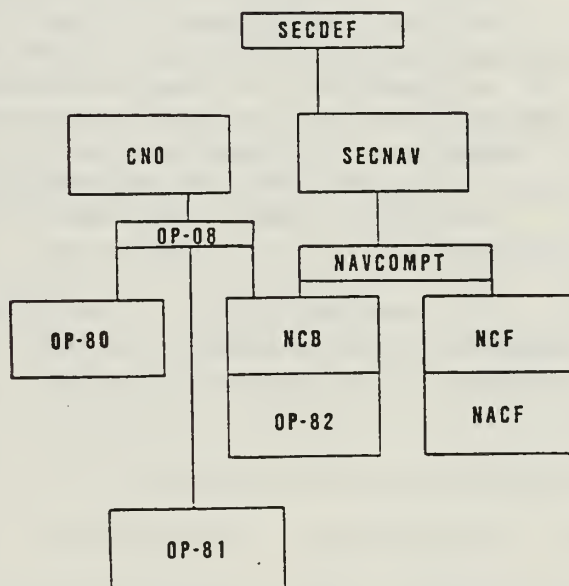


Figure 6. Navy's Financial Organization

5. Office of Management and Budget (OMB)

The OMB primarily assists the President in the organization and management of the Executive Branch. The OMB reviews the DON budget submission jointly with OSD, makes recommendations to the President regarding significant issues not resolved during the joint review and forwards the President's budget to the Congress [Ref. 9:p. I-2]. OMB also apportions funds and monitors the execution of appropriations.

F. BUDGET SUBMITTING OFFICES

Budget submitting offices are those principal administering offices, administering offices, or claimants responsible for preparation, compilation, and submission of budget estimates and supporting material directly to NAVCOMPT for the NAVCOMPT, OSD/OMB, and Presidents Budget submissions. These offices are responsible for preparation of budget estimates within the program, fiscal, and policy guidance provided in the POM. They are responsible for submission of these estimates in the appropriate exhibits and for ensuring that subordinate offices submit material in time to meet prescribed due dates. They also arrange for the necessary personnel to attend budget hearings and provide any follow-up information requested to justify estimates. Finally, they are responsible for reviewing budget adjustments made by NAVCOMPT, OSD, and Congressional Committees, preparing reclaims or appeals as necessary, and ensuring the necessary attendance at subsequent reviews. [Ref. 9:p. I-17]

The major claimants are the administering offices (offices responsible for budgeting, accounting, reporting, and controlling obligations and expenditures) and budget submitting offices for the operation and maintenance appropriations. A sub-claimant is an office or command which

receives a sub-claimant operating budget from a major claimant. The sub-claimant is designated as an administering office.

MAJOR CLAIMANTS/BUDGET SUBMITTING OFFICES

CINC, U.S. Atlantic Fleet
CINC, U.S. Pacific Fleet
CINC, U.S. Naval Forces Europe
Naval Air Systems Command
Naval Sea Systems Command
Chief of Naval Education and Training
Office of the Chief of Naval Research
Naval Supply Systems Command
Naval Oceanography Command
Naval Military Personnel Command
Naval Telecommunications Command
Naval Medical Command
Space and Naval Warfare Systems Command
Naval Intelligence Command
Naval Security Group Command
Assistant for Administration, Office of the
Undersecretary of the Navy
Chief of Naval Operations (OP-09BF)
Strategic Systems Project Office
Command, Naval Reserve Force
Headquarters, U.S. Marine Corps

Naval Field activities report and submit their budget requests to their respective Budget Submitting Offices and Major/sub-claimants.

G. SUMMARY

The following is an overview description of the budget formulation process: After guidance from higher authority, the initial budget preparation begins at the field activity. It is reviewed and analyzed and forwarded up to the major

claimant. After intense review procedures, these budget estimates are sent to NAVCOMPT. After NAVCOMPT has reviewed the budget estimates, they are consolidated and forwarded to OSD. After OSD and OMB have reviewed the estimates, they are forwarded to Congress. Both Armed Services Committees of the House of Representatives and the Senate will review the budget. When Congress approves the budget, the President will review the budget. The President may veto or sign the budget. The President must sign the budget before it becomes law. The review process up and down the chain of command within the Navy's budget results in the most defensible and executable budget possible. [Ref. 7:p. 6-9]

This chapter has provided the comptroller with an overall picture of the resources available, the structure in which these resources are placed and the personnel involved in the allocation of those resources through the budgetary process. The next chapter, specifically examines the role of Navy field activity comptroller in the budget formulation process.

III. THE COMPTROLLER'S ROLE IN BUDGET FORMULATION

A. THE FIELD ACTIVITY COMPTROLLER

The field activity comptroller is the activity's primary resource manager. The comptroller is a financial manager who reports directly to the Commanding Officer. The comptroller operates in a staff capacity and acts as a technical adviser on all financial aspects of operations. The comptroller's job includes record keeping, accounting interpretation of data, evaluator of programs, and anticipator of future requirements for the activity. Again, comptrollership is a staff function, responsible to the command. The comptroller does not make program decisions on behalf of the command (unless mandated to do so) nor does the comptroller make policy. The comptroller's mission is to assist management in achieving command objectives with economy and efficiency [Ref. 7:p. 2-12]. One Navy comptroller who was interviewed stated:

The job of a comptroller is not just green eye shade accounting; The comptroller is an active advisor not only to the commanding officer but to the departments within the command. Your advice as the comptroller will have a significant impact on decisions made and ultimately, those decisions could contribute to the success of your command.

It should be noted that the comptroller is usually a department head. The comptroller is normally on an equal basis with other department heads and all have responsibilities to each other. Department heads normally

seek assistance from the comptroller department regarding any question of a financial nature. In addition, the comptroller should keep department heads informed of the status of the current and expected funding climate. The comptroller's primary responsibility to other department heads is keeping financial records current and accurate for other departments [Ref. 7:p. 2-12].

The comptroller is responsible for budget plans, program schedules, budget formulation, review and execution, accounting, civilian personnel management, program analysis, operating reports and statistics. With this myriad of responsibilities, the new comptroller may become overwhelmed and intimidated with the new assignment. A Naval Air Station comptroller explains his analogy of the newly reported comptroller:

It's like being in a pipe; many things are going by rapidly in a turbulent yet systematic way. Sooner or later you have to jump in.

One of the most difficult tasks of a comptroller is preparing the command (activity) budget. Budget preparation consumes a great deal of time because of the many interwoven financial facets within the activity. The comptroller must create a budget to communicate the operating plans, priorities and objectives of the activity. It is not simply a plan for distributing dollars; it is also the command's policy statement. The budget designates the resources to carry out the assigned mission and provides a plan from which

performance can be monitored and adjustments made accordingly. If the comptroller recognizes these attributes and does not simply view the budget as a limitation on why things cannot be done, the budget can be an important tool for both setting and carrying out policy. [Ref. 11:p. 13]

The comptroller's responsibilities during the budgetary process are listed below:

- * review budget requirements
- * provide guidance and instructions for preparation of the field activity's budget
- * prepare activity's budget estimates
- * defend budget requests before the Major/sub-claimant
- * allocate resources
- * initiate action to adjust financial plans to available funds
- * ensure compliance with all relevant laws and regulations.

In carrying out these responsibilities, the comptroller must be able to anticipate change and provide timely financial advice to the CO. All comptrollers that were interviewed adamantly stated that "you must be prepared in advance," not only with an initial plan but alternative plans. This can only be accomplished by maintaining communication up and down the chain of command, both within and outside the activity.

Effective budgeting comes from effective communication. This was well illustrated when one comptroller stated:

Department heads are typically not money experts. The Comptroller must have 'face time' with other departments not only during the budget period but throughout the year. You must establish and maintain communication throughout

the year and keep them attuned to the funding climate. If possible, talk to the personnel at the worker bee level. Establish creditability and always keep the Commanding Officer informed.

1. Mission

The role of the field activity comptroller is very mission oriented. Without a defined mission, the comptroller is unable to allocate the available resources in the most efficient and effective way. The budget should support the mission. After interviewing several comptrollers, it became obvious that understanding the command's mission is extremely important.

The mission must be known by all involved in the budgetary process. When the new comptroller reports aboard, it is of paramount importance that the mission is fully understood by the comptroller and all department heads. On the following page is an excellent example of a mission statement provided by Naval Air Station Alameda.

The following is an excerpt taken from Naval Air Station Alameda's submission of their FY 90/91 Budget. It reflects the importance of the mission:

The FY 90 Budget submission represents requirements in support of the structure of NAS Alameda needed to fulfill functional missions. These missions are constant. Costs which do not contribute to their completion have been eliminated; costs which are indirect or of an overhead nature are being continually reviewed.

COMPTROLLER DEPARTMENT

Mission of NAS Alameda

To maintain and operate facilities providing services and material support to combatant Operating Forces, aviation squadrons, tenant activities and other military units designated by the chief of Naval Operations.

NAS Alameda succeeds through the accomplishment of six fundamental tasks:

1. Operate an Airfield
2. Operate a Port
3. Provide Industrial Base Support
4. Provide Weapons Support
5. Provide Family Support
6. Provide Housing Support.

Activities receiving support are:

1. Combatant Aviation and Afloat units of the U.S. Pacific Fleet homeported at NAS.
2. Aviation Squadrons of the Naval and Marine Corps Air Reserve.
3. Naval Aviation Depot, Alameda and approximately 40 other tenant commands.

When an activity has been assigned a mission, the commanding officer is responsible to his/her superior for estimating the resources required to accomplish that mission. With Gramm-Rudman cutbacks, those resources will typically not be adequate. The comptroller has to balance the planned program of operations with the resources available. As one comptroller stated: "Do the mission, hide the pain."

B. PREPARATION AND SUBMISSION OF THE BUDGET

Budgeting is a means to communicate program requirements up and down the chain of command. The Department of Defense uses budget calls and budget requests to communicate budget estimates throughout the organizations so that the information can be processed and reviewed to determine program approval. The budget call is budgeting guidance from the top down chain of command. The budget request is the budget that is submitted up the chain of command which is based on the budget call guidance.

1. NAVCOMPT Budget Call

One of the major milestones in the development of the Department of the Navy's Budget is the Program Objectives Memorandum (POM) [Ref. 9:p. II-1]. Shortly after the completion of the POM, the budget formulation cycle is set in motion by the issuance of NAVCOMPT budget call. The budget call is based on guidance provided by the Assistant Secretary of Defense (Comptroller). The NAVCOMPT budget call sets forth

substantive and special guidance in NAVCOMPT NOTICE 7111 which contains specific budget instructions, schedules, inflation rates and any changes in budgeting requirements.

2. Claimant's Budget Call

The NAVCOMPT Budget call is issued through the CNO to the major claimants/budget submitting offices. The major claimant will receive subsequent additions and revisions to NAVCOMPT's original guidance during the timeframe prior to the actual date of submission.

Therefore the major claimants who then issue budget calls to the field must often proceed on the basis of assumptions both as to the ultimate program direction and as to the technical requirements of the submission. For the technical aspects, the major claimants/sub-claimants can be guided by experience in previous budget cycles as well as by the specifications of the Budget Submissions Manual and of other applicable directives or manuals. For program assumptions, they must rely on currently approved planning as reflected in the Five Year Defense Plan and in the Department of the Navy Program Objectives Memorandum as well as any other Secretary of Defense or Secretary of the Navy Guidance which may become available. [Ref. 12:p. 2-27]

Based on guidance from NAVCOMPT, the major claimant issues the budget call through the sub-claimant to the field activity.

Table V is an excerpt taken from the Commander Naval Air force U.S. Pacific Fleet's (COMNAVAIRPAC) (sub-claimant) budget call to the Commanding Officer, Naval Air Station, Lemoore (field activity):

TABLE V

SUB-CLAIMANT BUDGET CALL

SUBJ: FY-90/91 APPORTIONMENT/FY-92 BUDGET GUIDANCE

Encl: (1) Pricing Guidance

1. The purpose of this letter is to provide budget guidance for submission of the FY-90/91 Apportionment/FY-92 Budget. Previous years guidance is rescinded.

2. The control numbers and increments for station operations and MRP are not to be adjusted by station reprogramming action. Requirements which exceed the control should be submitted as unfunded requirements. Budget control numbers provided below represent distribution of resources included in your activity's amended FY-89 budget. Use these numbers plus the pricing guidance, provided in enclosure (1), including pay raise, to reach your budget base, for FY-90 and out years. Guidance form CINCPACFLT has not been received to date, therefore, the budget control numbers could change. Be prepared for revision. All activities will be informed as soon as possible if changes are necessary. The following budget control numbers are provided for preparation of subject budget (\$000):

	FY-89
STATION OPS	23,332
MRP	4,453

FY-89 station operating controls includes:

Payroll	59
---------	----

3. Civilian manpower work years for FY-89 should be actual. Adjust out years to 2% lapse rate under assigned end-strength. Submit shortfall for authorized positions currently on board over end-strength numbers are provided as follows:

FY-89	REVISED		
APPORT	FY-89	FY-90	FY-91/92
563	438	438	415

In addition, specific instructions on budgeting and the budget submission due date are included. Most Major/sub-claimants require specific budgeting formats and exhibits to be used to develop cost and work load projections. A summary paragraph is usually included identifying changes in funding levels, reclama status (reclamas will be discussed later), unfunded requirements, and shortfalls. Typically, there is an enclosure included which is the pricing guidance. The pricing guidance includes civilian and wage grade pay raises, price growth percentages by object class, foreign national pay raises and budgeted foreign currency exchange rates. The following is an example of pricing guidance for foreign national pay raise:

FY 1991 FOREIGN NATIONAL PAY RAISE

<u>AREA</u>	<u>EFF DATE</u>	<u>RATE (%)</u>	<u>FY 1991 WORK DAYS</u>
KOREA	1 OCT 90	4%	261
PHILIPPINES	1 OCT 90	7%	261

The pricing guidance is used to adjust current prices so that they will be properly reflected in the budget submission. These pricing percentages are typically entered into a desk top computer at the field activity and the output is reflected in various budget exhibits. COMNAVAIRPAC is presently trying to automate their budgeting reports by building a database using the software LOTUS 1-2-3. It was

expressed by many comptrollers that the automation of budgeting data against actual data would benefit the budget formulation process greatly.

Many Major/sub-claimants today are expressing in their budget call the importance in submitting realistic shortfalls and providing adequate and supportable justification.

As seen in Table V, (budget call letter), budget control numbers are provided to the field activity. These numbers are advanced planning numbers (APN) and indicate the maximum dollar amount and personnel strength which cannot be exceeded. The budget control numbers in the example budget call letter are station operations and Maintenance Real Property (MRP). These funds are from the Operation Maintenance & Navy appropriation and represent the activity's primary base operating funds. MRP and Station OPS are combined and labeled Base Operating Support (BOS). Although there may be other funds in the budget, such as Flight Operations/Aviation Maintenance, these funds are given and fenced and are beyond the budgeting control of the field comptroller. Often, the budget control numbers that are given represent the distribution of resources included in your activity's amended Prior Year budget. The budget base is typically last year's apportionment figures plus or minus a small amount.

These control numbers along with the pricing guidance are provided to the field comptroller so that the budget base

can be reached for the activity for the apportionment year and the out years. The apportionment year is the upcoming fiscal year beginning 1 October. The call is usually received in February or March and is due in April (Dates will vary with commands. These dates are based on COMNAVAIRPAC). For example, if the field comptroller received the budget call in February of 1989, FY 1989 is the prior budget year which is the budget currently being executed. FY 1990 is the apportionment year which is the budget before Congress. FY 1991 is the budget year (the budget in DON). FY 1991 + would be considered out years. One comptroller responded:

It is imperative that a comptroller understands the time concept of the budget game and how it is played. The comptroller should anticipate the call and plan accordingly. There is simply no reason to get blind-sided.

The next section addresses the formal system designed to manage and track the Navy's resources--the Resource Management System. Before examining the procedures and structure of the comptroller's station call, the Resource Management System and its impact on budgeting will be discussed. The field comptroller must understand this system and its cost structure in order to succeed as a budgeteer. All Naval activities ashore are required to budget O&M,N resources under the RMS.

3. The Navy's Resource Management System

The Resource Management System (RMS) is the formal system by which the Navy budgets and manages Operations and

Maintenance, and Research Development, Test, and Evaluation appropriations. It is the structure within which shore activities planning and budgeting decisions are made. [Ref. 12:p. 103] The system is an integrated command budgeting system focusing on the activity's output. RMS establishes a uniform chart of accounts unique to each command. Under RMS, which began in 1967, it employs the one flow of funds concept (one claimant vice multiple claimants providing multiple allotments). This enables the Commanding Officer more flexibility to control "pots of money" within the command.

The uniform account structure provides a basis for classifying and charging of all expenses to the Navy. This uniform expense account structure specifically:

- * brings budgeting and accounting information into line with the programming phase of the FYDP
- * facilitates comparisons and combinations of budget and accounting reports
- * has standard expense accounts for tracking costs
- * provides more accurate estimates of the cost of proposed future programs
- * allows comptroller to distinguish costs at different levels within the organization.

In order to read and understand the various operating and budget reports/exhibits, the field comptroller must first understand the RMS coding. One comptroller expressed his opinion of RMS:

The field comptroller must understand the RMS language and its structure. It is this foundation that the budget is built on. The analysis of budget execution is only as good as quality of RMS accounting.

RMS accounts are separated into five categories. Figure 7 shows these categories.

The Program Element (PE) is a one-digit identification code. Most commands will have only one assigned. The PE is the basic building block of the FYDP. The PE tells who is using the resources and for what program.

The Activity Group (AG)/Subactivity Group (SAG) is a two-digit code showing the principal functional areas desired by the claimant for the administration of funds. This code identifies a broad area such as AG F3 which is station operations. The AG/SAG reflects the utilization of funds in the manner in which they were budgeted.

The Functional/Subfunctional Category code (F/SFC) is a two character code which tells what functions are being performed at the time when resources were being used. If the second position character is a "Z," this indicates that the function is reimbursable. The F/SFC category accumulates the expenses by function. The first digit is the Functional Category and the second digit is the Subfunctional Category.

Cost Account Codes (CAC) describe and break down the Functional/Subfunctional Category in greater detail. CACs are the basic building blocks of the budget. CAC's measure resource input in terms of cost and man-hours, and measure output in terms of work units produced. If production rates or activity levels can be estimated, the comptroller can use CAC information to forecast the cost for given output levels.

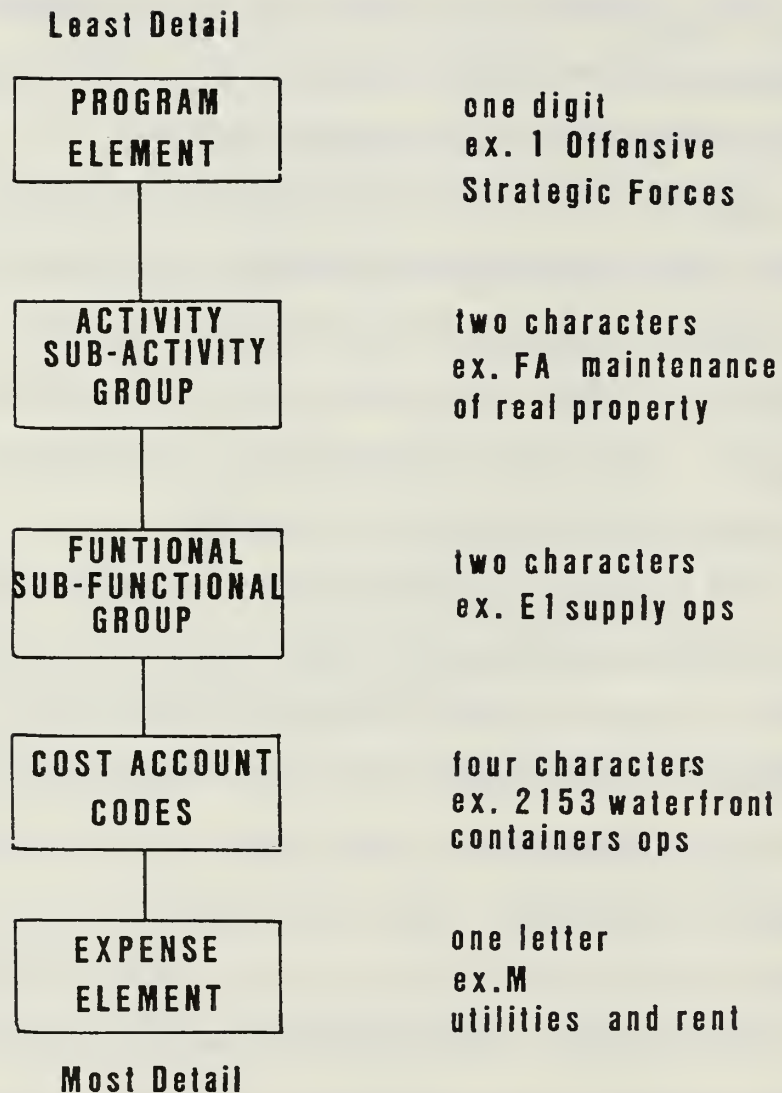


Figure 7. RMS Accounts

The NAVCOMPT Manual (Volume 2) describes the various CACs and their use.

The Expense Elements are one digit alpha codes and indicate what kind of resources are being utilized. This level is the most specific and is used frequently at the field activity level.

Also with the advent of the RMS concept, field activities are called Responsibility Centers and departments/divisions are called Cost Centers. Within those cost centers, Local Management Codes (LMC) can be assigned to assist in internal tracking and budgeting.

There are three areas of accounting within the Resource Management System:

- * Obligational
- * Accrual
- * Cost.

Obligational accounting is simply a way for the responsibility center to keep track of the cumulative total of resources for which the authority to spend has been approved for a fiscal year. The budget officer at a NAS comments about obligational accounting:

It is a very hard task to match our obligational records against the official records at FAADCPAC (Fleet Accounting Disbursing Center Pacific) because of the large amount of transactions occurring throughout the year. You must work hard and communicate with the ones doing your obligational accounting. I have seen as much as six months backlog of undistributed disbursements and nine months backlog of unmatched disbursements. Undistributed means funds not processed and unmatched refers to transactions not matching administratively such as FY89 vice FY88. These

errors usually can be corrected by using NAVCOMPT Form 621 Request for Transfer. This is a big problem area and it requires a lot of work and communication.

Obligational accounting can be compared to a personal check book. You write a check but the money is still in the bank until the check clears and the transaction is recorded. Because of the obligational/expenditure reporting inconsistencies, these reports must be reconciled on a regular basis and requires extensive effort on the part of the comptroller and his/her staff.

Accrual accounting tracks expenses within the field activity. Expenses are incurred when goods or services are consumed. It is possible that goods or services obligated in one fiscal year may be expensed in the following fiscal year. Undelivered orders bridge the gap between accrual and obligational accounting. The undelivered orders account contains only transactions which have been obligated for by the O&M,N appropriation. When funds are obligated, the undelivered orders account increases by the same amount. When goods or services are received, the undelivered orders account is decreased and an expense is incurred. Obligational accounting monitors the progress in spending appropriations while accrual accounting tends to describe the costs involved in operating a field activity.

The third area of accounting within RMS is Cost accounting. Cost accounting tracks the location of spending and purpose for both the obligational and accrual accounting

areas. Cost accounting specifically tells the command who spent money and for what purpose. Coding transactions that were discussed earlier such as expense elements, AG/SAG, F/SFC and CAC are used to assign costs.

The Resource Management System provides an overall system to track and manage the Navy's resources. This systematic structure allows the field comptroller to look at the resources, accounts, and expenses throughout the command and to monitor trends. Most important, the RMS structure gives the field comptroller the building blocks of a budget.

The Uniform Management Report (UMR) system supplements the RMS in that it consolidates and standardizes financial management reports. The UMR was designed to provide comptrollers and financial managers with reports of comparison of actual and planned management data in terms of expenses and gross adjusted obligations and to reflect unique management data needs. There are four UMR reports available to assist the comptroller in budgeting. These Reports are Formats A, B, C, and D. Each format gives particular information about financial areas of concern. NAVCOMPT Manual (Vol 2) explains these formats. Most field comptrollers who were interviewed stated that the UMR-Format C provided the best data for budget formulation. It provides year to date cumulative expenses, undelivered orders and gross adjusted obligations by Cost Account Code and expense element. It provides a separate report for each cost center with actual expenses, prior year

resources used, undelivered orders, and gross adjusted obligations. The historical data in this report can be used for budget formulation. It was however stated by one field comptroller that:

All UMR reports should show the budget plan and compare it with actual data. That would be a big help to the field comptroller.

Financial reporting within the Navy continues to change with the goal of fully developing a Navy-wide standardized, integrated disbursing/accounting/financial reporting system. This standardization could help eliminate many of the Navy's accounting problems, especially the delay in matching disbursements in which a three week delay yields as much as 4 billion dollar disparity between obligations and expenditures. [Ref. 13:p. 185]

The Navy's answer to the problem is the Integrated Disbursing and Accounting and Financial Management System (IDAFMS). Field comptrollers should see the effect of IDAFMS over the next few years and have expressed favorable opinions on the decision for its implementation. Under IDAFMS, disbursing and accounting will be consolidated into one activity, accounting activities will be joined into Financial Information Processing Centers (FIPC) and ultimately integrate the FIPC databases via teleprocessing into one Navy-wide database. The next section will address the Station Call.

4. Station Call

The station call is essentially the informal internal budget call within the field activity. It is important that the comptroller anticipate the Major/sub-claimant call in advance so that preparations can be made. Again, the Major/sub-claimant call is typically received in February and the activity's budget is due in approximately four to six weeks. (These dates reflect the timeframe of events for activities under COMNAVAIRPAC. Dates may vary depending upon the major claimant.) Some comptrollers said budget preparation had begun as far back as November for the following year's budget package. Many of the comptrollers had stated that their internal budget call went out to the cost centers in December and were due to the comptroller in mid-January. This allows the comptroller and the staff time to analyze, scrutinize and review budget estimates early on and allows better decision-making.

Also in the month of January, the activity generally receives a message from the Major/sub-claimant concerning the first quarter review. The first quarter review is basically a look at the financial posture of the field activity--what is the status of budget execution? The review conducted is to review budget execution to date and examine potential shortfalls. The budget officer at COMNAVAIRPAC reflects his views on the first quarter review:

The first quarter review is extremely important; it gives us (sub-claimant) a chance to see how the field activities

are doing. In some cases, unexpected and unfavorable conditions will surface at an activity. Although not popular, we may have to cut an activity's fund to help out another activity.

A budget officer at the field activity level expresses her views on the first quarter review:

It is important to clearly indicate at the first quarter review any funding shortfalls you may have. It may be too late during the mid-year review (March-April) because of the time factor involved; by the time the request goes up the chain of command to Congress and back down, it could very well be September or October. That's not the time to have year end money dumped on you. You just can't spend it in an effective and efficient manner at the end of the year.

Another review is held shortly thereafter. This comprehensive review is called the mid-year review and will be discussed later in detail.

The field comptroller should contact the Major/sub-claimant well in advance before receipt of the call to discuss the budget informally. This will give the comptroller an idea of what to anticipate in the call. The field comptroller must maintain a close vigilance of events and the environment for a possible impact on the budget. The field comptroller should watch events such as:

- * Changes in activity structure or mission
- * DOD/DON emphasis shifts
- * Executive or Congressional policies and actions [Ref. 7:p. 6-2]

The comptroller should not limit budgetary discussions to the Major/sub-claimant. The comptroller should keep the Commanding Officer (CO) continually informed of the activity's

financial posture. All comptrollers must ensure that the CO clearly understands the legal responsibility of the administration of funds, specifically the following two codes:

- * U.S. CODE 1301(a) states that "Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law." If funds are used improperly, or if appropriations are moved about or interchanged without disclosure and approval, a violation of U.S. Code 1301(a) has occurred. [Ref. 7:p. 7-16]
- * If an activity overobligates in excess of the amount available in an appropriation or subdivision thereof, it has violated U.S. CODE 1517. [Ref. 7:p. 7-16]

The new comptroller, should make an effort to sit down with the CO and discuss these codes and offer a plan to reassure the CO that these codes will not be violated.

For COMNAVAIRPAC activities, U.S. Code 1517 is held at the sub-claimant level vice being passed down to the local activity level. This lifting of the legal responsibility does not in any way diminish the responsibility to exercise sound financial management at these activities. The purpose was to let the local activity comptrollers and their staff utilize their money more efficiently and effectively without worrying about overobligating and violating U.S. Code 1517. Normally at the end of the fiscal year (before the responsibility was lifted) station comptrollers would hold unobligated funds on hand as a safety net. If the other stations were using this strategy also, obviously there would be a large sum of money that was not being obligated but was being held in reserve as a cushion. COMNAVAIRPAC's lifting of this responsibility

enables his field comptrollers to use these resources more efficiently and effectively, although COMNAVAIRPAC assumes full responsibility under U.S. Code 1517. All comptrollers who were interviewed spoke "highly" of this plan. One comptroller commented, "This is our team concept method."

Also when preparing for the station call, it is important to communicate with other activities especially those activities that you are providing services or materials. These services and materials translate into "reimbursables," money credited to the activity performing the service. It is important to note that "reimbursables" can comprise a large percentage in your budget depending on the activity. NAVCOMPT Manual (Vol. 7 Chapt. 4) addresses reimbursements. If reimbursements make up a considerable portion of the operating budget, it is imperative that the comptroller track it closely. One comptroller who was interviewed had mixed feelings when it came to reimbursables:

Although terms were agreed on by both parties initially, sometimes the money was not completely reimbursed because of financial constraints placed on the paying party from higher authority. When it comes to budgeting, you cannot live by reimbursables.

Inter/Intra-service Support Agreements (ISSA) are usually the vehicle of agreement between two activities providing services. The ISSA normally specifies the services provided and responsibilities of each activity, along with reimbursement rates.

Any breakdown or uncertainty in the negotiation or performance of reimbursable functions often requires field

comptrollers to communicate directly with the other commands involved. The involvement of all levels of budgeting and accounting personnel helps to promote complete understanding between commands. [Ref. 7:p. 2-14]

Most reimbursables should be budgeted prior to their occurrence and included in the budget submission. While some reimbursables may be directly identified with a particular service and expense, other reimbursables may have to be allocated.

When preparing the station call, the comptroller has several options in formulating the budget unless mandated by the CO to formulate the budget in a specific way. First, the control numbers should be anticipated. This is accomplished by reviewing last year's budget figures, upcoming program changes, and most importantly, calling the Major/sub-claimant for any recommendations concerning these control numbers. Although no specific official guidance may have been passed down from NAVCOMPT to the claimants, the Major/sub-claimants probably have a fair idea of what to expect.

Next, the comptroller may utilize one of the strategies listed below for budget formulation:

- * formulate the budget entirely within the comptroller department.
- * assign control numbers to the cost centers (departments) as a ceiling for the budget. Anything over the control numbers will become an unfunded requirement (Justification required).
- * have cost centers list only increases or decreases from an established base. The base can be last year's control numbers, last years budget or a base established by the comptroller. Also, give departmental expenditures for the last two years.

- * give cost center no control numbers but include funds that are "fenced." "Fenced" means funds which have been assigned a "floor or ceiling" for a certain purpose in the operating budget and cannot be spent without higher authority approval. This allows the cost center to submit the budget based on program requirements and level of activity forecasted.

Although there are many strategies that can be used in budget formulation, it is important that the field comptroller choose the strategy that best fits the environment. First and foremost, the field comptroller must understand the mission of the command and identify the requirements for funds and the resources available in order to come up with a strategy.

An excellent explanation on strategy and its principles are described by Richard Rumelt. This can be applied to Budget strategies as well. Rumelt says

It is impossible to demonstrate conclusively that a particular business strategy is optimal, or even to guarantee that it will work. One can, nevertheless, test it for flaws. [Ref. 14:p. 51]

Rumelt uses the following criteria to evaluate a strategy:

- * **Consistency:** The strategy must not present mutually inconsistent goals and policies
- * **Consonance:** The strategy must represent an adaptive response to the external environment and to the critical changes occurring within it
- * **Advantage:** The strategy must provide for the creation and/or maintenance of a competitive advantage in the selected area of activity
- * **Feasibility:** The strategy must neither overtax available resources nor create unsolvable subproblems.

A strategy that fails to meet one or more of these criteria is strongly suspect [Ref. 14:p. 51]. Budgeting strategies must be consistent throughout the cost centers. Interdepartmental bickering is often a symptom of inconsistency in the comptroller's budgeting strategy. The comptroller must present the strategy in a clear and concise manner. The strategy should include alternative plans of action so that he or she can adapt to surprise budgeting cuts. In other words, the comptroller should have a workable and current contingency plan for cutting expenses and to support unexpected needs.

For example, field comptrollers usually have a prioritized list of items that could be added or cut out of the budget if any additional funds became available or if money became extremely tight. "It's better to have a prioritized list handy rather than trying to come up with one at the last minute" said one comptroller. Most comptrollers felt that this list was extremely useful at the end of fiscal year when additional funds became available. One comptroller proudly opened his left bottom drawer at his desk and stated:

This is where I keep my list of unfunded requirements and 'nice to have' items. At the end of year, I pull these out and review them. If there is additional money, I make the decision as to what requirements should be met. Be careful--watch out for 'nice to have' items and look for critical mission needs.

The comptroller must have a budget formulation strategy and that strategy must be communicated to the Cost

Centers. While conducting interviews with the various comptrollers, all offered this advice for the new comptroller concerning the departments within the command:

- * Brief the department head/Cost Center in detail on budgetary and financial matters. Let him/her know what you expect. Speak in layman's terms.
- * Listen to the department head and find out what costs are controllable, uncontrollable and find out where the "pain is" within that department.
- * Upon assuming the job as comptroller, go out and visit the various Cost Centers. This could take up to a week especially in the Public Works Department.
- * Continue to communicate with the Cost Centers and keep them informed of the funding climate. Establish credibility!

The Type Commander Comptroller at Commander Naval Surface Forces, U.S. Pacific Fleet commented about his job:

Being a comptroller is not a desk job. You have to get out on the job, look at the spaces and the equipment. Find out what the problems are and see for yourself!

This lends credence to the old adage: "Don't expect what you don't inspect."

Once the field comptroller has gathered enough insight and information about the upcoming claimant budget call, the comptroller must choose control numbers which will be used to build the budget. Because of short lead time between the time the comptroller receives the Major/sub-claimant budget call and the due date (normally this time was found to be four to five weeks) the activity comptroller may issue the internal budget call one to two months in advance of the anticipated receipt of the sub-claimant's budget call. The comptroller

should discuss the control numbers with the budget staff and recommend to the CO how the station call should be conducted. With the CO's guidance and permission, the internal budget call within the station goes out to the respective departments (cost centers). It is important to note that the official control numbers upon receipt may be significantly different from the ones established by the comptroller. The comptrollers who were interviewed stated that their projected control numbers were usually close to the official control numbers. The guidance contained in the station call should be specific with detailed instructions that are easy to understand. Again, most department heads are not financial experts. Most comptrollers had sample forms provided with the call and supplemental information to assist in the preparation of those forms. Because of the complexities involved in the budget process, budget training must be established at the cost center level. The time that is spent in budgeting is time well spent; thus, all field comptrollers stressed the importance of reinforcing the budgeting knowledge of the departments heads.

The Navy Supply Center (NSC), San Diego, Comptroller designed a comprehensive Financial Management Handbook tailored to their command. Its purpose was to provide a handbook for use by Department Heads, staff Directors and other personnel involved in funds control. It provided an overview of the financial management at the Naval Supply

Center. The level of detail was significant enough to enable managers to control funds more efficiently and effectively and to assist them in budgeting. It also included a calendar of financial events. This type of handbook would be of great benefit to any command, especially during the budgeting period. The NSC comptroller said:

There was a lot of confusion as to what forms to use, how they should be filled out and an overall misunderstanding of the financial structure here. This handbook should solve many of those problems.

The most common approach to budgeting strategy found in this research was to assign control numbers to the departments (cost centers). Most comptrollers felt this strategy was based on the fact that they anticipated no more money than last year's budget (except for the additional dollars to cover inflation) because of the cutbacks implemented from higher authority and also that the cost center level had better ideas on where to trim expenses and the necessary functions that must be performed. This strategy allows the cost center to stay within defined limits yet gives them the opportunity to examine their requirements more stringently and list programs and functions that cannot be performed under the constraints of the assigned control numbers. This strategy may increase morale and is consistent with the philosophy that budgeting responsibility should coincide with organizational responsibility [Ref. 7:pp. 6-8].

Before continuing with the process of the station budget call, a brief description of the various departments will be presented. Within these departments, there are many resource requirements and depending on the department, it can vary significantly.

The Public Works Department main resource requirements are for utilities and the maintenance of plant property within the station. Utilities are normally fixed (light, heat, etc;), although they may vary depending on the level of operations from one year to the next. Utilities account usually for 15 percent of the O&M,N budget. A deputy comptroller responded:

Utilities have to be paid. You must have light, water and heat to maintain operations. Utilities are generally paid out of station OPS and budgeted accordingly. Although, there has been times when money had to be taken from MRP funds (which required permission from higher authority) to pay utilities. Unfortunately, maintenance plans may have to be cancelled.

The maintenance of plant property was a big issue at all activities that were visited. The problem was that the MRP funds that were budgeted were simply not enough to provide the proper maintenance. The Public Works Officer (PWO) and comptroller must work closely together in order to overcome the maintenance funding shortage. The PWO will normally have increasing funding demands annually, mainly because of the Annual Inspection Survey (AIS), a command wide inspection of the maintenance and adequacy of the base's building and facilities. As in any inspection, discrepancies are noted and

funds are required to correct those discrepancies. The comptroller should be aware that maintenance can often take a back seat to other command priorities.

The Supply department handles requisitioning, procurement, document processing, warehousing of stock, inventories and the management of mess halls, and possibly the management of a fuel farm. The comptroller may want to discuss with the Supply Officer the possibility of consolidating buys and reviewing all possible suppliers so that savings may be generated.

The Civilian Personnel Department is responsible for hiring and management of civilian personnel. The comptroller is responsible for ensuring money is budgeted properly to match billets required.

With the new concept of managing to payroll (MTP) and in addition, endstrength requirements, the comptroller has a difficult task. MTP was implemented in 1987 and was designed to assist Navy line managers in keeping qualified employees and to better manage payroll funds without meeting endstrength (number of employees at the end of the year) requirements. Because of the cutbacks within DOD, this MTP policy was difficult to implement. It was found that payroll fundings often were not "fully funded" to support the station's Manpower Document, a document which states ideally, the amount of personnel required on board to carry out the station's mission. In addition, some stations were mandated to have X

amount of people on board at the end of the fiscal year. For example, if the Manpower Document requires 638 personnel and you are only funded for 617, and have an endstrength requirement of 438, you obviously have constraints placed on your activity. By working closely with the Major/sub-claimant and department heads, these problems can sometimes be resolved. Some solutions to these problems might be: hiring freezes, personnel cuts in larger departments, use of temporary hires, leave without pay, limits overtime and Reduction in Force (RIF). When fronted with the choices above, all comptrollers chose RIF as the least likely decision because of the devastating effects to morale and efficiency. Implementing a RIF is time consuming and very expensive initially (due to severance pay). Here is one comptroller's response to MTP:

Ideally, MTP is a great concept but we have to be funded adequately to support it. There's a lot of games we have to play. One of the problems is converting billets to dollars. How can we do this? Well, there's not an actual or accurate formula to do this. Hopefully in the future there will be some system of tracking billets to dollars. The bottom line is that when we cut personnel in the budget, it cuts the efficiency of the station.

The new comptroller should develop a working knowledge of civilian personnel management. The labor issue was found to be a big problem in many budget packages. Civilian labor in a typical Navy command can amount to between 70 and 80 percent of the O&M,N budget.

It was suggested by most comptrollers that the new comptroller become familiar with the civilian personnel office and how it operates. The Federal Personnel Manual is a valuable reference containing information and regulations governing the employment of civilians on Naval activities.

The Administration Department works closely with the comptroller on travel expenditures and related military affairs. Travel and transportation funds are "earmarked" in the operating budget, that is, these funds are "fenced" with a ceiling. The new comptroller must understand that travel funds cannot be reprogrammed in other areas without the approval of the Major/sub-claimant.

The departments described represent the ones that are most common to Naval activities. There may be other departments within the activity that will also have a significant impact on budgeting. The comptroller should understand the requirement and should know the mission of each department. The comptroller must get to know each of the department heads and should encourage a free flow of information.

Once the departments have received the station budget call, the department head and departmental personnel must work together to formulate and submit budget estimates based on the comptroller's guidance. It is the comptroller's responsibility to ensure that budget guidance and instructions are written clearly so that policies and procedures are followed correctly. It is the responsibility of the cost

center to evaluate its departmental objectives and priorities and to prepare budget estimates. Field comptrollers should provide local budgeting submission forms tailored to the needs of the activity. For example, the following departmental forms are used in budget preparation at NAS Alameda:

- * Personnel Data Record
- * Special Pay Exhibit
- * Material Estimate
- * Budget Justification Data
- * Travel and Transportation of Personnel
- * Monthly Obligation Phasing Plan
- * Austere Year Reduction
- * Program Element Worksheet

These forms enable the department head to organize the budget estimates in a format that will assist the comptroller in preparing the command budget. It also provides the department head with historical data in an organized fashion that can be used in next year's budget preparation. Table VI is an excerpt taken from the Personnel Data Record budget estimate submission form.

Also, the use of a budget justification form is extremely important and critical in the budget preparation process. This gives the cost center a chance to justify shortfalls and changes. It should be a narrative description of the problem with a thorough explanation of why more funds are required.

TABLE VI

**PERSONNEL DATA RECORD/BUDGET SUBMISSION
COST CENTER WEAPONS DEPARTMENT
FISCAL YEAR 1990**

LOCAL MGMT CODE	FUNCT/ CAC	DESCRIPT	FUND SOURCE	GRADED/ STEP	UNGRADED/ STEP	MILITARY STEP
WEWE	F4AF20	ARMORY/ RANGE DIVISION	STATION	0	1 WG-7-5(FTP) 1 WG-7-5(FTP)	1 A0C 1 A01 1 A03 3 A0AN

If the cost center has a list of unfunded requirements, each item on the list should contain full justification including its impact on the future if funding is not obtained. (The next chapter will address budget justifications.)

C. BUDGET REQUEST

When the comptroller has received all cost center budget submissions, they are typically displayed on a spread sheet for review and analysis by the comptroller and the budget staff.

The requests proposed by cost centers and justification statements should be analyzed closely. The comptroller may want to consult department heads for additional information. Some comptrollers hold budget committee meetings with the department heads before and after the internal submissions. The key to a successful budget submission is to fully

understand the requirements of each particular department. The comptroller may ask him/herself: "What does the department really require to carry out its mission?" The comptroller must develop a budgeting plan and work around these shortfalls.

Department heads are the key information resource for the comptroller. The comptroller must be able to communicate with the department heads and establish an effective rapport. Credibility is paramount, but is more important up than down the chain of command.

After a thorough review of the cost center's budget estimates, the comptroller and the budget staff will propose a budgeting plan for the allocation of resources. Once the official controls come in from the Major/sub-claimant, the comptroller and the budget staff will repeat the process and make adjustments accordingly. When the comptroller has established a budgeting plan and feels that he/she understands the budget, the comptroller should contact the CO. The CO will normally arrange a meeting with the comptroller and the budget staff to review the Budget. The comptroller should be prepared to give explanations of the recommendations to the CO. The CO will make the final budgeting decision.

COMNAVAIRPAC provides the field activities with formatted computer disks to gather the budgeting data. (Other Major/sub-claimants may vary with procedures.) Data is imputed by SAG, Subfunction, CAC, and expense elements into

a formatted disk provided by the sub-claimant. From this disk, there are many budget exhibits and forms that must be submitted to Major/sub-claimant. The data may be requested on a myriad of different forms and exhibits. The comptroller should always consult the major sub-claimant for amplifying instructions and guidance for required budget forms and exhibits. A Navy budget staff member comments about the many exhibits used in budgeting:

Submitting the annual budget request can be very complicated. One problem is that there are too many budget exhibits! Why can't we use maybe 4 or 5 standard exhibits? The budget preparation process is more like a drill. We are being overburdened with extraneous data. We have X amount of budget exhibits to fill in and submit. The budget package itself probably weighs 8 or 9 lbs. I think we should find a way to cut down on the number of exhibits.

Formats and instructions for exhibits are found in NAVCOMPT Inst 7102.2A.

Although there are many forms and exhibits one of the most common and widely used budget submission documents for O&M,N funds at the activity level is the OM-6. The OM-6 is commonly referred to as the standard "shortfall document." Its purpose is to identify urgent O&M,N requirements which cannot be accommodated within funding constraints [Ref. 9:p. B-115]. The critical deficiencies which cannot be absorbed within controls, due to pricing and fact-of-life adjustments, may be submitted as unfunded requirements by using the OM-6. [Ref. 9:p. B-115]. The OM-6 requires a program description including:

- * a narrative justification;
- * funding amounts and shortfall amounts designated by AG/SAG and OP-32 category code (OP-32 will be discussed next);
- * Performance Criteria
- * Civilian Manpower given endstrength and dollars.

Guidance and instructions for completing the OM-6 are found in NAVCOMPTINST 7102.2A. Appendix D is an example of OM-6.

The OP-32 exhibit is another budget document that is required by most Naval activities that uses OM&N funds. This is mandated and set forth in NAVCOMPTINST 7102.2A. The OP-32 displays a summary of price and program changes by object class (object classification codes are found in Appendix B). It was said by several of the budget officers and comptrollers that eventually all budgeting reports will be coded by object classification (possibly FY 90 or 91). This exhibit is mentioned in this thesis because the comptroller should be aware that all other exhibits containing pricing adjustments, program increases or decreases, performance criteria and personnel summaries must match the OP-32 information. [Ref. 9:p. B-66] The OP-32 has three sections; one reflecting the past budget year to current budget year, the second reflecting the current budget year to the budget year and the third reflecting the current budget year to the budget year + 1. [Ref. 9:p. B-66] This document is simply a price adjuster/inflationary tool that is required by the NAVCOMPT and OSD/OMB. These inflation percentages are given by

NAVCOMPT annually. The problems with the OP-32 were summarized by a budget officer

The OP-32 has basically three flaws:

- * current budget year shortfalls are hidden
- * NAVCOMPT numbers are conservative, price growth percentages are not realistic
- * concerned with where the funds came from, not what we're buying.

Appendix E is an example of the OP-32.

Hopefully, the brief discussions of these two budgeting documents will enlighten the new comptroller as to the types of budget forms and exhibits required by higher authority. Again, it is critical that the new comptroller consult the Major/sub-claimant budget call guidance for the required formats and exhibits.

When the CO has reviewed the budget package and is satisfied with the contents, the comptroller and the budget staff will prepare the budget for the CO's signature. The following is a list compiled from interviews of various field comptrollers concerning the budget request. The Budget Request must:

- * contain no arithmetic errors and no misspellings
- * be consistent throughout; all forms and exhibits must be reconciled
- * be submitted **on time** to meet deadlines
- * contain the correct forms and exhibits required in the budget call
- * not omit information when specially called for in the budget call

- * contain adequate justifications when required
- * recognize all known requirements
- * be based on a valid workload plan and estimated costs must be fully supportable.

The comptroller must comply with the Major/sub-claimant budget call. The comptroller should take the time to review the request thoroughly before submitting it to the Major/sub-claimant via the CO. Nothing destroys credibility with the sub-claimant faster and more assuredly than failing to fully comply with the budget call [Ref. 13:p. 125].

It was found through this field research that the budgeting formulation process at the field activity level took approximately four months. (From initial cost center budget estimates to the budget request). After the sub-claimant has reviewed the activities' budget requests, the sub-claimant submits the request to the major claimant. After the budget estimates are approved at this level, they are sent to NAVCOMPT for review and potential inclusion in the Navy Budget.

The next chapter addresses budget justifications and review.

IV. BUDGET JUSTIFICATION

All justifications have as their objective the explanation and support of budget estimates [Ref. 15:p. 28]. Justifications should be complete, to the point, and understandable.

The justification should enable higher authority to grasp the proposed program of work, and to evaluate them in the light of need, current policies, relative worth compared with competing programs, and previous accomplishments [Ref. 15:p. 28].

Budget Proposals provide specific, concrete, factual data, not generalized statements. The level of detail should be at a point as to not "bog" down the reviewers, but to present a clear and concise picture.

With the scarce resources within DOD today, the comptroller must be consistent, and when asking for additional funds, he better have a strong justification. A comptroller at the sub-claimant level spoke of budget justifications:

When submitting a budget package, it must be consistent from one year to the next. If last year's priority was that certain equipment needed major work and this year's priority is the quality of people, this tends to confuse the reviewer. You must be consistent. The budget review and recognition process is just like all other types of review processes in the Navy; they throw out the bad guy first!

As explicitly and briefly as possible, budget justifications state the facts and the reasoning behind the estimates. They should reveal the policy issues that were,

or are yet to be, settled, and the considerations that were, or are, significant in settling them. [Ref. 15:p. 28]

The unfunded requirements submitted with the budget package are typically based on the cost center's short falls and program changes. The submission of the budget is the primary vehicle for the identification of these unfunded requirements. Justifications of these unfunded requirements should be clearly stated and supportable. Although it is not possible to cover all the considerations and methods used in preparing the estimates, the comptroller should cover all major elements and issues involved. The costs should be set forth as explicitly as possible. Present the facts and forecasts in quantitative terms whenever possible. It also helps to use graphs when applicable: "A pie chart can often be a good substitution for a long narrative description." Several comptrollers said that the use of graphic data was very successful in convincing COs of proposed plans and programs.

Each stage of the budget review process involves careful consideration of numerous proposals. The justification should be complete but short enough to be understood quickly. Completeness should never be sacrificed in the total justification effort. The comptroller must be aware also that the emphasis is lost by repetition, use of technical jargon, or stereotyped "boiler plate" [Ref. 15:p. 29]. The comptroller should be prepared to provide adequate

documentation to support all decisions and facts so that it will be available when the CO requires it.

The comptroller must consider these ten basic questions when preparing and presenting justifications especially before the CO or Major/sub-claimant:

- * What precisely is the requirement?
- * What is the authority for accomplishing the shortfall? Was the requirement station generated or was it directed by higher authority? If directed by higher authority, who directed it and by what reference?
- * Is this a new or old requirement? Has the requirement been funded in the past? If so, why is it not funded now?
- * How was the total shortfall amount established?
- * If the entire requirement cannot be financed, is incremental funding possible? If so, in what size increments?
- * Have alternatives been considered? What steps have been taken to fund the requirement with available resources?
- * When are funds needed? What happens if funds are not provided by then?
- * Who is knowledgeable about the requirement and can answer questions? What is their phone number?
- * What is the impact on readiness if not funded?
- * How much will it cost and how were these costs determined?
[Ref. 15:p. 31]

It is also of significant importance to place yourself in the reviewer's position. Material thought unimportant and of common knowledge which is omitted may turn out to be of great interest to the Major/sub-claimant. The "mid-year" review is an excellent opportunity to voice and state your justifications for funding increases. The mid-year review

occurs midway through the fiscal year (March-April) to examine total spending policies, including budget execution, emergent requirements, and program deficiencies. This is the comptroller's time to discuss why projects and programs need additional funding, if any. If funds are made available through Congressional action, the major claimant may review some of the unfunded requirements. The Major/sub-claimant may ask the field activity for a status on a particular unfunded requirement and further justification. The same rules apply as before in budget justifications. The comptroller must present the facts and be prepared to back the justifications.

Many of the comptrollers stressed that you should never accept a budget cut without putting up a reasonable fight. The comptroller should go out and gather all the supporting data needed to adequately justify the additional funding. The comptroller should research the area and use historical records if possible. When the comptroller feels that the problem has been thoroughly researched and all changes and shortfalls have been identified, the comptroller must prepare a written narrative explaining the justifications to be included in the budget package.

"Techniques of Clear Writing," a book by Robert Gunning discusses seven principles that will assist the comptroller in writing effectively:

- * **Keep sentences short**--an average of 20 words or less is desirable--26 is common however

- * **Prefer the simple to the complex**--use the simple word where possible and reduce the use of words with three or more syllables. Shorter words are easier to read, understand, and take less space
- * **Prefer the familiar word**--the more common the word used--the better the chance for understanding
- * **Avoid unnecessary words**--extra words detract from clear understanding by making the sentences complex, long, and hard to follow.
- * **Tie in with your reader's experience**--the reader judges the meaning according to his experience and background--not yours
- * **Put action in your verbs**--use active verbs rather than passive.
 - * Passive: An improvement in quality has been made
 - * Active: Quality has improved
- * **Write to express not impress**

By applying the above principles, the comptroller will undoubtedly present the justifications in a strong, clear and precise manner.

Blackerby and Held discuss sentence structure and its impact on budget justifications:

The sentence structure sets the justification's rhythm and pace. A lively rhythm will keep readers awake and interested; a droning rhythm--or cacophony--will put them to sleep. Short and simple sentences keep the rhythm lively; long and complex sentences dissolve into 'white noise.' The active voice connects subjects with verbs and objects in a recognizable 1-2-3 rhythm; the passive voice will interrupt that rhythm and confuse the reader, thereby separating key parts of the sentence. [Ref. 16:p. 5]

Above all, be honest; nothing will lose your credibility faster than submitting a justification that is not valid. It may take years to re-establish your credibility in the budgeting business, opportunity seldom knocks twice.

Often there may be other alternatives that are better, cheaper and more effective than previously proposed plans which are under review as unfunded requirements. The comptroller should always take the time to review previous unfundeds. For example, one comptroller who was interviewed said there was a proposed plan that would save aircraft maintenance time and money. This comptroller, who was a previous air maintenance officer, knew the maintenance world well. He decided to investigate because the plan just did not seem logical. He made a few phone calls and did a "real world analysis" and discovered this major MILCON (military construction) project would not save any money, so he developed his own alternative plan and presented it to his CO who agreed that this was a much better idea. The major MILCON PROJECT, originally estimated to cost \$3.5 million, was cancelled. The cost of the comptroller's plan was significantly less. This provided a tremendous savings at the air station because the comptroller took the time to analyze the situation and to ensure its validity.

Another vehicle to identify resources needed is the POM issue paper. Although the field activity comptroller may never be required to write one, the claimant may ask for additional input from the various field comptrollers under his command. A POM Issue paper is designed to identify and define a specific concern and quantify the resources required to alleviate the concern. [Ref. 7:p. 5-23] The purpose is to

convince sponsors that the program being proposed will provide sufficient benefits to justify its cost. The POM issue paper should address out years only; the current budget year and budget year should not be considered. The POM issue paper is a short paper (2-3 pages) and is used for issues that have been approved for further development; this is not the time to introduce a "bright idea" [Ref. 7:p. 5-28]. The POM is the only vehicle to change the budget base. The POM issue paper usually starts at the Major/sub-claimant claimant level. A sub-claimant comptroller expressed his views on the POM issue paper:

The POM issue paper is oriented more toward force structure. The problem with the POM issue paper is that there is no feedback mechanism. The value gained is almost nothing. Its a Washington based document.

It is also interesting to note that recent studies have shown that one of the best strategies in the budgetary process is to ask for an increase. "Be a squeaky wheel, you'll get the money" was the response of one field comptroller. Jack Housley (1986) concludes the following on proper claimant strategies:

The most important strategy available to a claimant is to ask for a budget increase. Budget changes are most closely related to the budget requested by the claimant than to the budget changes made by NAVCOMPT or OSD/OMB. The support of the reviewing bodies helps maintain budget changes requested. But first a claimant must request an increase or no budget increase will be forthcoming [Ref. 17:p. 40].

By this it seems logical that if the field comptroller properly and adequately justifies the request, the chances

increase that the claimant will accept this request. Furthermore the claimant who requests more funds receives more funds. [Ref. 17:p. 1]

After the claimant has submitted the request to NAVCOMPT, the Navy Comptroller staff begins its review for proper pricing and the executability of the programs submitted. The Director of Budget and Reports in NAVCOMPT may hold informal DON hearings to ensure that the budget estimates:

- * are well **justified** and consistent
- * are in agreement with the POM, SECDEF guidance and other decision documents
- * contain current and valid costs and pricing
- * maintain financial feasibility and balance
- * conform to legal requirements
- * are executable. [Ref. 7:p. 6-22]

This review is often called "scrubbing."

If NAVCOMPT disagrees with the claimants budget request, a "mark" is prepared. The mark is a proposed adjustment to the original budget submission. The claimant is allowed to challenge these marks through the "reclama" process. The reclama has to be written within 48 hours in response to the mark. [Ref. 9:p. II-135] If the claimant chooses not to submit a reclama, the claimant must revise the budget as requested by NAVCOMPT. The format for preparing reclus is contained in Appendix H of Reference 9. Major claimants prepare additional or revised budget exhibits for NAVCOMPT's

final summary of the Navy budget, which is reviewed and approved by SECNAV and forwarded to SECDEF. [Ref. 18:p. 71]

It was found that all the comptrollers interviewed had stated that budget justification was one of the, if not the most, important aspects of Budget formulation. The new comptroller should always task the cost centers to develop justifications with specific facts and thorough explanations concerning the impact of the mission within that cost center. It is left to the field comptroller to instill those budgeting values at the cost center level.

The determination of which activity receives increases to its budget may well rest on the quality of the justification. It is evident from this field research, that the activity that spends its time on writing a well-researched justification will fare much better at the claimant level review than other activities who have presented a weak and poorly documented justification.

It should be obvious that assertive budget requests, properly justified, provide budget reviewers a better means by which to judge the value of one activity's increment versus another.

V. CONCLUSION

A. THE INTERVIEWS

The Naval activities which were visited provided the framework from which this budgeting guide was developed. The comments and examples that were used came from comptrollers who are currently working in the field of comptrollership. Their comments were presented in this thesis to give the new comptroller the views and recommendations of experienced comptrollers. These views and recommendations should not be misconstrued as the "best or right thing to do" but are simply opinions. Their comments reflect "advice only" which has proven to be helpful in the budgeting process.

During the interviews, it was found that these activities were experiencing reduced funding levels annually. There seemed to be an uncertainty as to what the budgeting/funding climate would be for the future. Many feared a reduction in their budget base which would ultimately demand a reduction in the scope of operations within the activity.

Labor funding for related costs was considered to be the biggest "headache" at every command. Some comptrollers suggested that the answer was to build a "labor data base" which would provide a more efficient way to track labor expenses to billets.

It was found that cuts often were taken in the larger departments. The rationale seemed to be that the larger departments could absorb the cut more easily. It also seemed to be an accepted fact of fiscal life that the claimant would "bail you out" at the end of the year if funds were needed but only in certain areas (i.e., payroll). The budget was somewhat based on this philosophy, that is, that there would be some year end money to pay expenses. Nevertheless, it was found that the field comptrollers and their budget staff worked diligently and were well prepared for the claimant call. Surprisingly, there was a strong unity among the field comptrollers. There was a sense of "teamwork" between the field comptrollers in an effort to accomplish the most with the least. Communication was the key word heard at all of the activities that were visited.

During the interviews, the comptrollers and their staffs were not only knowledgeable, but were "more than willing" to offer their advice for improving the budget process. One comptroller recommended that comptrollers being assigned to large Naval air stations should be required to have a Q code (code indicating proven subspecialty). Some comptrollers felt that there are too many budgeting exhibits required by the Major/sub-claimant while others believed the hardest part in budgeting was finding the "discretionary" dollars, those dollars which are controllable and not fixed. Overall, a

genuine concern was found at the field activity level for improving the budget process.

B. THE FIELD COMPTROLLER

The field comptrollers who were interviewed came from many different backgrounds and levels of experience and had different ideas about what makes a comptroller "successful" during the budgetary process. The most often made suggestions are compiled below for the new comptroller:

- * Above all, understand the **mission** of the activity!
- * Plan ahead, don't wait for the budget "call."
- * Review the germane references before making a decision.
- * Do your homework, you can and will make a difference.
- * Being a comptroller is not a desk job.
- * Establish credibility. Be **honest**.
- * Effectively **communicate** with all the budget players involved (CO, Dept. heads, claimant). Two way communication is the key.
- * Understand the chain of command relationship: Who do you work for?
- * Understand the Accounting System
 - * know details of accounting
 - * analysis of budget execution is only good as quality of accounting.
- * Know the supply system.
- * Make sure the CO clearly understands the legal liability of fundholders.
- * Understand the budget game and how it is played. "Be a squeaky wheel;" if you do not ask, you do not get it; but don't "cry wolf" all the time.
- * Develop a working knowledge of both the funding and personnel side of civilian personnel management.

- * Put mission critical items first and watch out that "nice to have items" do not displace mission critical items.
- * Always have a backup plan. You must be able to quickly **react and adapt** (for example, a priority list of "nice to have" for the end of the year).
- * Make sure you see a summary report from both accounting and budgeting weekly. Watch for trends.
- * Be **consistent**, both in financial and command budget submissions.
- * Stay **flexible**, financial management is a dynamic occupation.
- * Do not assume because someone's been around a long time that they are an expert.
- * Always keep your CO informed!

This thesis also includes a glossary (Appendix F) and abbreviation list (Appendix G) to assist the field comptroller in budgetary matters. It is the intent of this thesis to provide guidance to the field comptroller in the budget formulation process. With the use of this guide, the field comptroller should have a better understanding of the fundamentals of Navy budgeting at the field activity level. The objective of this guide was not to present a "cookbook" of detailed procedures, nor was it to deal with abstract budgeting methodologies. Rather, it attempts to promote the understanding of field activity budgeting so that the new comptroller can apply the principles discussed to allow for better decision making in the budgetary process.

The organizational structure of the Department of the Navy is complex, as is the budgeting system [Ref. 7:p. 1-4]. With

Gramm-Rudman deficit reduction targets and the overall increased emphasis and awareness in reducing defense spending, the Navy field activity comptroller is ultimately confronted with a decline in resources. Consequently, the comptroller must provide a means to accomplish more with less and that challenge is met with a budget. In all, the Navy is cutting \$3.9 billion from its \$101.7 billion fiscal 1990 budget request and \$1.9 billion from its \$105.1 billion request for fiscal 1991. [Ref. 19:p. 22] Rear Admiral Stephen Loftus, budget director of the Navy said:

As a result, worldwide commitments may have to be reduced. Force reductions strike a balance between affordability and acceptable risk. [Ref. 19:p. 22] As **professional military comptrollers**, we must look ahead to ensure that the reduced defense resources resulting from our latest budget scrub provide those same loved ones with the national security they well deserve. We can do no less. Every dollar counts. Every transaction is important. [Ref. 16:p. I]

The field comptroller will play a crucial role in helping the DON to operate effectively in this era of scarce resources.

APPENDIX A

NAVY COMPTROLLERS CONSULTED IN THE PREPARATION OF THIS THESIS

Comptroller Department
Naval Air Station
Lemoore, CA 93246-5001

- * Comptroller Department
Naval Supply Center
San Diego, CA 92132-5044

Comptroller
Commander Naval Air Force, U.S. Pacific Fleet
San Diego, CA 92735-5100

- * Comptroller
Commander Naval Surface Force, U.S. Pacific Fleet
San Diego, CA 72155-5035

Comptroller Department
Naval Air Station
Moffett Field, CA 94607

Comptroller Department
Naval Air Station
Alameda, CA 94501

- * Comptroller Department
Naval Postgraduate School
Monterey, CA 93940-5000

Comptroller Department
Naval Air Station Miramar
San Diego, CA 92145-5000

- * Identifies Non-COMNAVAIRPAC Comptrollers who contributed to the development of this thesis.

APPENDIX B

BUDGETING QUESTIONNAIRE

1. What is the organizational structure at your command and who are the key budget players? What is your relationship to the Major/sub-claimant?
2. When do you normally receive the budget call? How does your command prepare the budget request?
3. What types of budget methodologies or tactics are used during budget formulation?
4. What problems are encountered during the budget formulation period? How are those problems dealt with?
5. What guidance do you provide to the Department heads during the budget call? How are the cost center's budget input reviewed? How is the command budget review conducted?
6. What type of summary report of accounting and budgeting are you required to see, if any, on a regular basis? What trends are you looking for?
7. What is the relationship to the CO as the comptroller?
8. How are cutbacks implemented at your activity?
9. How do you defend budget requests before higher levels? How is the current status of NAVCOMPT Budget marks and reclamas affecting your activity?
10. Do you internally re-program money to keep the budget in balance when necessary and how?
11. How do you handle MTP and endstrength requirements and what is its impact on the budget?
12. What forms and exhibits are required in budget formulation? How are they used?
13. Are there any local command regulations to facilitate effective budgeting practices?
14. How are unfunded requirements handled during the budget process?

15. What are some of the key budgetary practices that are necessary for a successful command budget? What works for you?
16. What are typical problems that occur at the cost center level during budget formulation? How do you respond to them?
17. How does your command handle changes in funding levels and mission changes? What alternative plans are used?
18. What references, directives and instructions must the comptroller be familiar with in the budget formulation process?
19. What type of budget training is implemented at your command?
20. What type of ADP equipment do you have and is it used in budgeting? If so, How is it used?
21. What specific recommendations would you give to a new comptroller when involved with the budgetary process?

APPENDIX C

OBJECT CLASSIFICATION CODES AND TITLES

- 10 PERSONAL SERVICES AND BENEFITS
 - 11 Personnel compensation
 - 11.1 Full-time permanent positions
 - 11.3 Positions other than full-time permanent
 - 11.5 Other personnel compensation
 - 11.7 Military personnel
 - 11.8 Special personal services payments
 - 12 Personnel benefits
 - 12.1 Civilian personnel
 - 12.2 Military personnel
 - 13 Benefits for former personnel
- 20 CONTRACTUAL SERVICES AND SUPPLIES
 - 21 Travel and transportation of persons
 - 22 Transportation of things
 - 23 Rent, communications, and utilities
 - 23.1 Standard level user charges
 - 23.2 Communications, utilities, and other rent
 - 24 Printing and reproduction
 - 25 Other services
 - 26 Supplies and materials
- 30 ACQUISITION OF CAPITAL ASSETS
 - 31 Equipment
 - 32 Lands and structures
 - 33 Investments and loans
- 40 GRANTS AND FIXED CHARGES
 - 41 Grants, subsidies, and contributions
 - 42 Insurance, claims and indemnities
 - 43 Interest and dividends
 - 44 Refunds
- 90 OTHER
 - 91 Unvouchered
 - 92 Undistributed
 - 93 Administrative or nonadministrative expenses
 - 99 Total obligations

APPENDIX D

OM-6

ACTIVITY: DEPARTMENT OF THE NAVY FY 1990/91 APPORTIONMENT
 OPERATION & MAINTENANCE , NAVY
 BUDGET ACTIVITY: (DOLLARS IN THOUSANDS)
 ACTIVITY GROUP:
 SUB-ACTIVITY GROUP: UNFUNDED REQUIREMENTS

PROGRAM DESCRIPTION:

I. NARRATIVE JUSTIFICATION:

II. FINANCIAL DATA: ACTUAL
 FY 1988 FY 1989 FY 1989 FY 1990 FY 1990 FY 1991 FY 1991
 FUNDED FUNDED SHORTFALL FUNDED SHORTFALL FUNDED SHORTFALL

 OP-32
 AS/SAS CAT CODE

TOTAL	0	0	0	0	0	0	0
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III. PERFORMANCE CRITERIA AND EVALUATION

FY 1989	FY 1990	FY 1991

IV. CIVILIAN MANPOWER

FY 1989	FY 1990	FY 1991

E/S \$000	E/S \$000	E/S \$000

US DIRECT HIRE-CLASSIFIED
 US DIRECT HIRE-WAGE BOARD
 FN DIRECT HIRE
 FN INDIRECT HIRE

TOTAL CIVILIAN	0	0	0	0	0	0
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APPENDIX E

OP-32

OPERATION AND MAINTENANCE, NAVY		FY-1989 APPORTIONMENT/FY-1989-91 BUDGET				DATE			
		OP-32 INFLATION BASE		FY-1989 APPORTIONMENT/FY-1989-91 BUDGET		PRICE GROWTH PERCENT		PRICE GROWTH DOLLARS	
ACTIVITY: NWS LEMOORE		FY 1988 DOLLARS	PRICE GROWTH PERCENT	PROGRAM GROWTH DOLLARS	FY 1989 DOLLARS	PRICE GROWTH PERCENT	PRICE GROWTH DOLLARS	PROGRAM GROWTH DOLLARS	FY 1991 DOLLARS
AG:F3									
SAC: OPERATION OF UTILITIES (FC)									
CIVILIAN PERSONNEL COMPENSATION									
101-00.00 EXE, GEN & SPEC SCHED		28	0	0	29	0	29	0	29
103-00.00 WAGE BONUS		465	0	0	438	0	449	0	422
104-00.00 FOREIGN NATL DIRECT HIRE			0	0	0	0	0	0	0
105-12.13 SEPARATION LIABILITY			0	0	0	0	0	0	0
106-13.00 BENEFITS TO FORMER EMPLOY			0	0	0	0	0	0	0
199 TOTAL CIVILIAN PERSONNEL		493	0	0	467	0	478	0	451

NOTE: AN EXCERPT FROM AN OP-32 EXHIBIT.

APPENDIX F

GLOSSARY

ACCELERATED LABOR RATE

Labor expense recorded in such a manner that as an employee works one straight time hour, the expense will equal the employee's actual wage plus an "acceleration" percentage to cover the cost of anticipated leave and fringe benefits.

ACCOUNTING CLASSIFICATION

A code used to provide a uniform system of accumulating and reporting information related to public voucher disbursements/refunds.

ACCOUNTS PAYABLE

Amounts owed for items received, services rendered, expenses incurred, assets acquired, construction performed and any amounts received but as yet unearned.

ACCOUNTS RECEIVABLE

Amounts due from debtors on open accounts. Under appropriated funds, amounts due from debtors for reimbursements earned or for appropriation refunds due.

ACCRUAL BASIS OF ACCOUNTING

A method of accounting in which revenues are recognized in the period earned and costs are recognized in the period incurred, regardless of when payment is received or made.

ADMINISTERING OFFICE

The office, bureau, systems command, or Headquarters, U.S. Marine Corps assigned responsibility for budgeting, accounting, reporting, and controlling obligations and assigned expenditures for programs financed under appropriation(s) or subdivisions of an appropriation. the responsibility is assigned by the "Responsible Office."

ADMINISTRATIVE LIMITATION

A limitation imposed within an administrative agency upon the use of an appropriation or other fund having the same effect as a fund subdivision in the control of obligations and expenditures.

ADVANCE FUNDING

Budget authority provided in an appropriation act that follows funds to be committed to a specific purpose (obligated) and spent during this fiscal year even though the appropriation actually is for the next fiscal year. Advance funding generally is used to avoid requests for supplemental appropriations for entitlement programs late in a fiscal year when the appropriations for the current fiscal year are too low.

ALLOCATION

The provision of funds from the Principal Administering Office to a Claimant.

ALLOTMENT

The authority, expressed in terms of a specific amount of funds, granted by competent authority to commit, obligate and expend funds for a particular purpose. Obligation and expenditure of the funds may not exceed the amount specified in the allotment, and the purpose for which the authorization is made must be adhered to. Allotments are granted for all appropriations except the operating accounts, such as O&MN and RDT&E,N which use operating budgets. All allotments must be accounted for until the appropriation lapses or until all obligations are liquidated, whichever occurs first, and are reported on NAVCOMPT Form 2025 (Status of Allotment Report).

ANTI-DEFICIENCY ACT

Prohibits incurring obligations in excess of available appropriations and provides penalties for violations. The Act states that no officer or employee:

- a. shall make or authorize an expenditure or obligation in excess of the amount available.
- b. may involve the Government in any contract or obligation for the payment of money in advance of appropriations made for such purpose, unless the contract or obligation is authorized by law.

APPEAL

Alternative term for reclama; usually used in communications with congressional committees.

APPORTIONMENT

Distribution of appropriations (and other budgetary resources) by the director of OMB; usually by quarter or by project or activities.

APPROPRIATION

A part of an Appropriation Act providing a specific amount of funds to be used for designated purposes. Appropriations are divided into budget activities and further divided into subactivities, programs, projects and elements of expense.

APPROPRIATION ACT

An act under the jurisdiction of an appropriations committee which provides funds for federal programs. There are 13 regular appropriation acts. Congress also passes supplemental appropriation acts from time to time.

APPROPRIATION LIMITATION

A statutory limitation within an appropriation which cannot be exceeded by incurring obligations or expenditures.

APPROPRIATION REIMBURSEMENT

Earnings or collections for commodities, work, or services furnished or to be furnished. Unusually, the transaction is between appropriation accounts, but there may be authorization for an appropriation to provide materials or services to an individual, firm, or corporation. Reimbursements are credited to an appropriation as an addition to the amount otherwise available for obligation.

ASSETS

Anything owned having monetary value. Property, both real and personal, including notes, accounts, and accrued earnings or revenues receivable; and cash or its equivalent.

AUDIT

The systematic examination of records and documents to determine:

- a. adequacy and effectiveness of budgeting, accounting, financial and related policies and procedures;
- b. compliance with applicable statutes, regulations, policies, and prescribed procedures;
- c. reliability, accuracy and completeness of financial and administrative records and reports; and
- d. the extent to which funds and other resources are properly protected and effectively used.

BALANCED BUDGET

A budget in which receipts are equal to or greater than outlays.

BORROWING AUTHORITY

A form of budget authority that permits a federal agency (other than the Treasury and Federal Financing Bank) to borrow funds from the public or another federal fund or account and to incur obligations and make payments for specified purposes out of that borrowed money. Borrowing authority differs from an appropriation, which permits a federal agency to incur obligations and make payments directly from the Treasury. borrowing authority is a type of backdoor spending.

BUDGET

A plan of operations for fiscal period in terms of:

- a. estimated costs, obligations, and expenditures;
- b. source of funds for financing including anticipated reimbursements and other resources; and
- c. history and workload data for the projected programs and activities.

BUDGET AMENDMENT

A proposal, submitted to the Congress by the President after his formal budget transmittal but prior to completion of appropriation action by the Congress, that revises previous requests, such as the amount of budget authority.

BUDGET AUTHORITY

Budget authority that allows a federal agency to incur obligations before appropriations have been passed, or in excess of the amount of money in a revolving fund. Must be funded subsequently by an appropriation so that the commitments entered can be paid.

BUDGET CALL

A letter or message from a senior in the chain of command providing control numbers, personnel ceilings, and expected fences which must be used to prepare the ensuing budget request.

BUDGET DEFICIT

The amount by which the Government's budget outlays exceed its budget receipts for any given period. Deficits are financed primarily by borrowing from the public.

BUDGET REQUEST

A submission from a responsibility center to a major claimant providing estimates of the resources necessary to carry out the command mission.

BUDGET YEAR

The year following the current fiscal year, and for which the budget estimate is prepared. For example, if the current fiscal year is Fiscal Year 1988, the budget year would be Fiscal Year 1989.

BUDGETARY RESOURCES

The total level of spending that is subject to sequestration. Budgetary resources are different for defense and nondefense programs. For defense, budgetary resources are the total of new budget authority and unobligated balances of budget authority provided in previous years. For nondefense, total budgetary resources include new budget authority, gross levels of new direct loan obligations, other obligation limitations (such as limitations on programmatic or administrative obligations from trust funds or revolving funds), so-called backdoor spending--spending authority as defined by section 410(c)(2) of the Congressional Budget Act, and new loan guarantee commitments.

COMMITMENT

A firm administrative reservation of funds based upon specific procurement directives, orders, requisitions, authorizations to issue travel orders, or requests which authorize the recipient to create obligations without further recourse to the official responsible for certifying the availability of funds. The act of entering into a commitment is usually the first step in the process of spending available funds. The effect of entering into a commitment and the recording of that commitment on the records of the allotment is to reserve funds for future obligations. A commitment is subject to cancellation by the approving authority if it is not already obligated.

CONGRESSIONAL BUDGET

The budget as set forth by Congress in a concurrent resolution on the budget. These resolutions shall include:

- a. The appropriate level of total budget outlays and of total new budget authority;
- b. An estimate of budget outlays and new budget authority for each major functional category; for contingencies, and for undistributed intragovernmental transactions based on allocations of the appropriate level of total budget outlays and of total new budget authority;
- c. The amount, if any, of the surplus or deficit in the budget;
- d. The recommended level of federal revenues; and
- e. The appropriate level of the public debt.

CONSIGNMENTS (PREVIOUSLY UNFILED REQUISITIONS)

The Request for Contractual Procurement (NAVCOMPT Form 2276) which does not obligate the requestor's funds until the copy of the procurement document is received.

CONTINUING RESOLUTION

Congressional action to provide budget authority for specific ongoing activities when the regular fiscal year Appropriation Act has not been enacted by the beginning of the fiscal year. The continuing resolution usually specifies a maximum rate at which the agency may incur obligations and is usually based on the rate of spending of the prior year.

CONTRACT AUTHORITY

A form of budget authority under which contracts or other obligations may be entered into prior to an appropriation. contract authority does not provide funds to pay the obligations and thus requires a subsequent appropriation or the realization of revenues to liquidate the obligations.

CONTROL NUMBERS

Planning limits provided by a major claimant or a local comptroller to a subordinate activity or department, providing an estimate of the next year's resources.

COST ACCOUNT (COST ACCOUNT OR CA)

Normally, the CA represents an organizational entity for which identification of costs is desired. Accounts established to classify transactions by cost, according to the purpose of the transactions. Cost account four-digit alpha/numeric codes are used to identify uniformly the contents of management reports.

COST-BASED BUDGETING

Budgeting in terms of costs to be incurred, i.e., the resources to be consumed in carrying out a program regardless of when the funds to acquire the resources were obligated or paid. Cost-based budgeting, in addition to reflecting the obligational requirements for the program, presents the cost of what is planned to be accomplished. When budgets are stated in terms of costs, an adjusting entry is required to arrive at total obligations.

COST CENTER (CC)

A Cost Center is a subdivision of a Field Activity or a Responsibility Center. An individual Cost Center is a group of homogeneous service functions, processes, machines, product lines, professional and/or technical skills, etc. It is an organizational entity for which identification of costs is desired and which is amenable to cost control through one responsible supervisor. Normally, the major departments of a responsibility center are Cost Centers.

CROSSWALK

A procedure for translating budget information from one form to another--for example, from a budget resolution to an authorization or appropriations bill.

CURRENT SERVICES AND BUDGET

A budget that projects estimated budget authority and outlays for the upcoming fiscal year at the same program level and without policy changes as the fiscal year in progress. To the extent mandated by existing law, estimates take into account the budget impact of anticipated changes in economic conditions (such as unemployment or inflation), beneficiary levels, pay increases, and benefit changes. The Congressional Budget and Impoundment Control Act of 1974 requires that the President submit a current services budget to the Congress by November 10 of each year.

CURRENT YEAR

The fiscal year in progress.

DEFERRAL

An action of the president that temporarily withholds, delays, or precludes the obligation or expenditure of budget authority. A deferral must be reported by the president to Congress in a deferral message. The deferral can be overturned if either house passes a resolution disapproving it. A deferral may not extend beyond the end of the fiscal year in which the message reporting it is transmitted to Congress.

DEFERRAL OF BUDGET AUTHORITY

Any action or inaction by any officer or employee of the United States that withholds, delays, or effectively precludes the obligation or expenditure of budget authority. Section 1013 of the Impoundment Control Act of 1974 requires a special message from the president to the Congress reporting a proposed deferral of budget authority. Deferrals may not extend beyond the end of the fiscal year in which the message reporting the deferral is transmitted and may be overturned by the passage of an impoundment resolution by either house of Congress.

DEFICIENCY APPROPRIATION

An act passed after a fiscal year has expired, to increase funds available so that the appropriation has a positive balance, and can lapse to the successor, or "M" account.

DEOBLIGATION

A downward adjustment of previously recorded obligations. This may be attributable to cancellation of a project or contract, price revisions, or corrections of amounts previously recorded as obligations.

DIRECT COSTS

Costs incurred directly for and readily identifiable to specific work or work assignments.

DIRECT REIMBURSABLE

One of two types of Reimbursable Work Orders (RWOs) which become part of an Activity's gross Operating Budget. This type includes RWOs for nonrecurring products or services which are not part of providing for the activity's mission and for which no regular work units are budgeted. The exact cost of the product service will be charged to the RWO from the receiving activity.

DISBURSEMENTS

In budgetary usage, gross disbursements represents the amount of checks issued, cash, or other payment made less refunds received. Net disbursements represent gross disbursements less income collected and credited to the appropriation or fund account, such as amounts received for goods and services provided.

DOD PLANNING/PROGRAMMING/BUDGETING SYSTEM (PPBS)

An integrated system for the establishment, maintenance, and revision of the FYDP and the DOD budget.

EXECUTION

The operation of carrying out a program as contained in the approved budget. Often referred to as "Budget Execution."

EXPENSE, EXPENSED, EXPENSES

Work equivalents to "cost," costed" and "costs." Costs of operation and maintenance of activities on an accrual basis over time, as distinguished from costs of acquisition of property. Expenses include, but are not limited to:

- a. Civilian personnel services.
- b. Military Personnel services.
- c. Supplies and material consumed or applied.
- d. Travel and transportation of personnel.
- e. Rental of facilities or equipment.
- f. Equipment having a unit value of less than \$1,00 and over which an Inventory Control Point (ICP) does not maintain centralized individual item management throughout the Supply System down to the user level (i.e., centrally controlled items and mandatory repairables).
- g. Maintenance, repair, overhaul or rework of equipment and facilities.
- h. Services received (purchased utilities, leased communications, printing and reproduction, transportation, shipyard shop services, etc.)
- i. Cost transfers from other responsibility centers for Military Personnel Services.
- j. Minor construction having a value of \$75,000 or less financed through a designated program element.

EXPENSE ELEMENT

An expense element identifies the type of resource being consumed in the functional/subfunctional category or program element. these are listed and defined by NAVCOMPT MANUAL, Volume 2.

EXPENSE LIMITATION

The financial authority issued by a claimant to an intermediate level of command is an expense limitation. Amounts therein are available for issuance of operating budgets to responsibility centers.

EXPIRED APPROPRIATION

An appropriation which is no longer available for obligation but is still available for disbursement to liquidate existing obligations.

EXPIRED FUNDS

Budget authority which is no longer available for obligation but which may still be expended.

FENCES

Explicit limitations on funds use provided in the appropriation act by Congress.

FISCAL POLICY

Federal policies on taxes, spending, and debt management, intended to promote the nation's goals, particularly with respect to employment, gross national product, inflation, and balance of payments. The budget process is a major vehicle for determining and implementing fiscal policy.

FISCAL YEAR (FY)

An accounting period beginning 1 October and ending 30 September of the following year. The fiscal year is designated by the Calendar year in which it ends. Fiscal Year 1989 begins on 1 October 1988 and ends 30 September 1989. This refers to a 12 month period for which an annual appropriation of funds is granted.

FIVE-YEAR DEFENSE PROGRAM (FYDP)

The official document which summarizes the SECDEF approved plans and programs for the Department of Defense. It is published at least once annually.

FIXED-PRICE (FP)

A dollar amount upon which two government activities agree that a service will cost. Once agreed, the service must be provided by the servicing activity at that price regardless of what it costs the servicing activity to perform the service. The purpose of such pricing is to reduce accounting costs. Such prices should not be based upon "ball park estimates," only upon knowledge of the total job. A form of fixed price is a unit rate per hour, day or month charged for Materials Handling Equipment (MHE) or service. Such unit rates are computed at least semi-annually upon a basis of actual cost. It may be a Reimbursable Work Order (RWO) accepted for a stated amount to be billed upon completion of the RWO. Expenses incurred in excess of, or for less than, the agreed amount will constitute a gain or loss to the performing Expense Operating Budget.

FRINGE BENEFITS (FRINGE)

The cost of the government's share of civilian employee's:

- a. Retirement
- b. Life Insurance
- c. Health Insurance
- d. Social Security, when applicable
- e. Thrift Savings Plans

FUNCTIONAL CLASSIFICATION

A system of classifying budget resources by major purpose so that budget authority, outlays, and credit activities can be related in terms of the national needs being addressed (e.g., national defense, health) regardless of the agency administering the program. A function may be divided into two or more subfunctions, depending upon the complexity of the national need addressed by that function.

FUNCTIONAL MANAGER

A person (Manager) responsible for a specific area, such as Financial Inventory, Stock Material Sales, Housing and Utility costs, Flying Hour Costs, Ship Overhaul, Steaming Hour Reports, etc.

FUNCTIONAL/SUBFUNCTIONAL CATEGORIES

Are designed to collect expense and gross adjusted obligation information required by the Department of Defense and/or to fulfill the Management requirements of the Navy and Marine Corps, and are assigned as per NAVCOMPT Manual Volume II Chapter 4 Part D.

FUND AVAILABILITY

The amount of obligational authority in a fund or fund subdivision.

INCREMENTAL FUNDING

Providing budget authority for those obligations which are expected to be incurred in a given fiscal year.

INDIRECT EXPENSE

Indirect expenses are costs incurred by direct cost centers which are not incurred directly for and are not readily identifiable with specific job orders established for the accomplishment of assigned work.

INPUT BUDGETING

A budgetary method which focuses on the cost of the objects, or inputs.

INTEGRATED DISBURSING AND ACCOUNTING (IDA)

Processing system designed to improved the Navy's current accounting and disbursing systems. The Integrated Disbursing and Accounting (IDA) System incorporates the use of integrated data bases for concurrent accounting and expensing transactions.

INTERNAL AUDIT

Determining that management controls, practices, and procedures at all levels are adequate in concept and effective in application and that they provide for adequate financial integrity and effective utilization of resources available.

INVOICE

This term includes contractor requests for payment, travel claims and other miscellaneous vouchers.

INVOICE CERTIFICATION

Invoice Certification (also called Receipt Certification) is a statement placed on an invoice, or a receiving document related to an invoice, certifying that the goods or services were received.

JOB ORDER (JO)

1. A formal instruction to perform certain work according to specifications, estimates, etc.
2. Describes a cost system whereby costs are accumulated by job orders.

JULIAN DATE

The form of date used in military requisition procedures; a date developed by assigning serial numbers to the 365 days in a calendar year starting with "001" on 1 January and ending with 365 on 31 December and prefixing the last digit in the calendar year, i.e., 28 February 1988 is 8059.

JUSTIFICATION

An explanation in support of budget estimates. A budget justification can consist of narrative statements, statistical and graphical presentations, etc., which outline the objectives and plans for achieving the objectives of an operating program.

LAPSED FUNDS

Unobligated budget authority that by law has ceased to be available for obligation because of the expiration of the period for which it is available.

LIABILITIES

Amounts of money owed to others for goods and services received, or for assets acquired. Liabilities include accrued amounts earned but not yet due for payment, and progress payments due to contractors.

"M" ACCOUNT"

Unliquidated obligations under an appropriation are transferred to (merged into) an "M" account at the end of the second full fiscal year following expiration. The "M" account remains available for the payment of the unliquidated obligations charged to various-year appropriation accounts.

MAJOR CLAIMANT/SUBCLAIMANT

A major claimant is a bureau/office/command/Headquarters, Marine corps which is designated as an administering office under the Operation and Maintenance appropriations in NAVCOMPT Manual, Vol. 2, Chap. 2. Navy major claimants receive operating budgets directly from the Chief of Naval Operations Fiscal Management Division (OP-82). Subclaimants are bureaus/offices/commands designated as administering offices which receive a subclaimant operating budget from a major claimant.

MARK-UP

The process of modifying budget submissions and reducing, increasing, revising or eliminating items, and providing appropriate guidance resulting from the review process.

MIDYEAR REVIEW OF THE BUDGET

1. A revision of the budget submitted to the Congress by the President by 15 July, incorporating the effects of newly enacted legislation, the latest information on the previous year's spending and revenues, and providing updated economic projections.
2. A locally conducted review to determine the adequacy of present funding levels, to update unfunded requirements to the next level in the financial chain-of-command, and to update the budget submission being prepared for delivery to Congress.

MILSTRIP/MILSTRAP

The Military Standard Requisitioning and Issue Procedures (MILSTRAP) system provides a standardized language of codes and coding techniques and a standard set of forms for requisitioning and issue transactions.

The Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP) system provides uniform procedures, codes and documents for use in transmitting receipt, issue and adjustment data between inventory managers and stock points in support of supply and financial management.

MINOR NEW CONSTRUCTION

Describes construction costing from \$1 to \$200,000; however, construction projects costing from \$25,000 to \$200,000 can only be processed as Minor Construction if so urgently required that authorization and funding cannot possibly be delayed for a regular MILCON (Military Construction) program. Projects costing \$1 to \$25,000 are always funded by the Navy appropriation for Operation and Maintenance. Projects costing over \$25,000 up to \$200,000 will be funded by Navy appropriations for Military Construction.

MINOR PROPERTY

Personal Property acquired for immediate use with unit cost of less than \$1000. Also Organic Property.

NAVCOMPT FORM 2171--ACCRUED EXPENSES AND GROSS ADJUSTED OBLIGATIONS

The NAVCOMPT Form 2171 provides detailed input to claimants for summarization and submission to the Navy Cost Information System (NCIS) at the NAVCOMPT/OPNAV level. The report consists of accrued expenses and gross adjusted obligations for the current month and fiscal year-to-date in terms of budget classification codes, accounting group, and sub accounting group. A separate NAVCOMPT Form 2171 will be prepared for each Operating Budget, a separate NAVCOMPT Form 2171 will be prepared for each benefiting UIC if requested by the Operating Budget grantor. Additionally, where two or more program elements are included in an Operating Budget, data must be identified by program element. If activity group/sub-activity group codes (AG/SAG) have not been established to identify data by program element, a separate NAVCOMPT Form 2171 identifying the applicable program element will be required. Monthly reporting above the claimant level will normally be by program element and will not be identified by benefiting UIC unless specifically requested by higher authority. The unidentifiable expenses processed through Account 1930, Undistributed Expense/Costs will not be reported.

NAVCOMPT FORM 2199--TRIAL BALANCE REPORT

The financial status of all funds available under an Operating Budget will be reported monthly by the Authorization Accounting Activity (AAA) to the Operating Budget grantor and to the Operating Budget holder on the Trial Balance Report. This report presents to the OB holder and OB grantor the current fiscal year status of all funds (direct and reimbursable) received by Operation and Maintenance activities on the Resource Authorization (NAVCOMPT Form 2168-1) and funded reimbursable orders. The net change in financial data reported in the NAVCOMPT Form 2199 will be used for posting to the official program activity control ledgers.

NAVCOMPT FORM 2275--ORDER OF WORK AND SERVICES (PROJECT ORDER)

A specific, definite, and certain order between Navy activities, for work or for the manufacture of supplies, material, or equipment which, for the purpose of obligation, assumes the characteristics of orders or contracts placed with commercial enterprises.

NAVCOMPT FORM 2275--ORDER FOR WORK AND SERVICES (WORK REQUEST)

A work order for services and/or material made to another governmental agency. The work request document (funding document specifies the services and an authorized monetary amount.

NAVCOMPT FORM 2276--REQUEST FOR CONTRACTUAL PROCUREMENT (SERVICES)

Included in the "Consignments" definition is the Request for Contractual Procurement, which does not obligate the requestor's funds until a copy of the procurement is received.

NAVY-WIDE STANDARD DOCUMENT NUMBER

A fifteen-digit standard document number will be assigned to each document prepared and processed as input to the financial system following the guidance set forth in NAVCOMPT Instruction 7300.99, SUBJ: Navy-Wide Standard Document Number and Accounting Classification Reference Number; implementation of.

NEW OBLIGATIONAL AUTHORITY

Authority to incur obligations for a new year, authorized by current and prior actions of the Congress.

NONAPPROPRIATED FUNDS

Money derived from sources other than Congressional Appropriations, primarily from the sale of goods and services to DOD military and civilian personnel and their dependents and used to support or provide essential morale, welfare, recreational, and certain religious and educational programs. Another distinguishing characteristic of these funds is the fact that there is no accountability for them in the fiscal records of the Treasury of the United States.

OBJECT CLASSIFICATION

A uniform classification identifying the transactions of the federal government by the nature of the goods or services purchased (such as personnel compensation, supplies and materials, equipment) without regard to the agency involved or the purpose of the programs for which they are used.

OBLIGATIONAL AUTHORITY (OA)

1. An authorization by Act of Congress to procure goods and services within a specified amount by appropriation or other authorization.
2. The administrative extension of such authority, as by apportionment or funding.
3. The amount of authority so granted, i.e., the total resources received in the Operating Budget available for liquidation.

OBLIGATIONS

1. Commitments made that will require the future payment of money for orders placed, contracts awarded, and services performed, supported by executed documents during a given period.
2. Amounts of orders placed, contracts awarded, services received, and similar transactions during a given period requiring disbursement of money. Such amounts shall include disbursements not preceded by the recording of obligations, and shall reflect adjustments for differences between obligations and actual disbursements.

OFFICE OF MANAGEMENT AND BUDGET

Established as the Bureau of Budget by the Budget and Accounting Act of 1921; renamed in 1970. Major functions include:

- a. assist President in preparation of the budget and the formulation of the fiscal program
- b. supervise and control the administration of the budget
- c. aid President to bring about more efficient and economical conduct of Government service.

OFFSETTING COLLECTIONS

Moneys received by the government as a result of business-type transactions with the public (sale of goods and services) or as a result of a payment from one government account to another. Such collections are netted in determining budget outlays.

OFFSETTING RECEIPTS

All collections deposited into receipt accounts that are offset against budget authority and outlays rather than reflected as budget receipts in computing budget totals. Under current budgetary usage, cash collections not deposited into receipt accounts (such as revolving fund receipts and reimbursements) are deducted from outlays at the account level. These transactions are offsetting collections but are not classified as "offsetting receipts."

OPEN PURCHASE ORDER

An order placed to obtain specified material from a commercial vendor (usually local) either for stock or to fill operating requirements not available through stock.

OPERATING BUDGET (OB)

An Operating Budget is the annual budget of an activity stated in terms of Budget Classification Code, accounting group, and sub accounting group. It contains estimates of the total value of resources required for the performance of the mission including reimbursable work or services for others. It also includes estimates of workload in terms of total work units identified by cost accounts.

OPERATING BUDGET PLAN

An estimate of monetary needs for a fiscal year, developed by Cost Center Managers and the Activity Comptroller. By accounting group, and sub accounting group.

OPERATING TARGET (OPTAR)

An administrative rather than legal limitation on expenditures provided to an afloat operating unit or department ashore.

OPERATION & MAINTENANCE, NAVY (O&MN)

An appropriation of funds from Congress intended to finance the basic day-to-day operation of the Fleet and principal shore activities of the Navy, and issued to Operating Budget (OB) holders for normal expenses incurred in operating and maintaining an activity.

ORGANIC PROPERTY

USMC term for minor property.

OTHER PROCUREMENT, NAVY (OPN)

An appropriation of funds established for the financing of specialized systems, programs, or activities not funded by O&MN.

PAST YEAR

The fiscal year immediately preceding the current year; the last completed fiscal year.

PLANT PROPERTY

The term "plant property" includes all Navy-owned real property, and that which is not owned by the Navy but for which accountability is the responsibility of the Navy. The term also includes Navy-owned personal property of a capital nature located in activities comprising the Naval Shore Establishment, used by units of the operating forces based ashore under the circumstances outlined in NAVCOMPT 036003-4 or in the plants of private contractors. It also includes any Navy-owned real property, or personal property of a capital nature outgranted to activities, installations, agencies, or other entities not under the management control of the Department of the Navy, provided that the title to the property remains with the Department of the Navy. It does not include personal property of a capital nature in store, nor does it include equipment designated as "minor plant equipment" or "special tooling."

PRESIDENT'S BUDGET

The proposal sent by the President to Congress in January each year, required by the Budget and Accounting Act of 1921, as amended.

PROGRAM ELEMENT

Basic building block of the FYDP; a description of a mission by identifying the organizational entities and resources needed to perform the assigned mission.

PROGRAM OBJECTIVES MEMORANDUM (POM)

A memorandum in prescribed format submitted to the Secretary of Defense by the Secretary of a Military Department or the director of a defense Agency which recommends the total resource requirements within the parameters of the Secretary of Defense fiscal guidance.

PROGRAMMING

Translating planned military force requirements into time-phased manpower and material resource.

PROJECT

A planned undertaking having a finite beginning and ending, involving definition, development, production, and logistic support of a major weapon or weapon support system or systems. A project may be the whole or a part of a program. A Designated Project is a project which, because of its importance or critical nature, has been selected for intensified project management.

PROJECT MANAGER

The individual within the Bureaus, and Offices responsible, within well-defined boundaries of time, resources, and performance requirements, for executing an approved project.

REAPPORTIONMENT

A revision by the Office of Management and Budget of a previous apportionment of budgetary resources for an appropriation or fund account. A revision would ordinarily cover the same period, project, or activity covered in the original apportionment.

REAPPROPRIATION

Congressional action to restore the obligational availability, whether for the same or different purposes, of all or part of the unobligated portion of budget authority in an expired account. Obligational availability in a current account may also be extended by a subsequent appropriation act.

RECLAMA

A request for restoration of all or part of a reduction in a budget estimate made by a higher level review.

RECONCILIATION

A process in which Congress includes a budget resolution "reconciliation instructions" to specific committees, directing them to report legislation which changes existing laws, usually for the purpose of decreasing spending or increasing revenues by a specified amount by a certain date. The reported legislation is then considered as a single "reconciliation bill."

Gramm-Rudman-Hollings provides for an accelerated form of reconciliation in the Senate as the method for developing a congressional alternative to a presidential reduction order.

REFUNDS

Recoveries of excess payments which are for credit to an appropriation or fund account. These items, such as the recovery of a salary overpayment or a return of the unused portion of a travel advance, will not be included as reimbursements but will be treated as reductions of disbursements. Refunds will also include credits to an appropriation or fund account due to accounting adjustment relating to obligations or disbursements where such procedure is permitted by law or regulations.

REIMBURSABLE OPTAR

Funds provided by a tenant to a host command in return for the host's providing specified and mutually agreed services.

REIMBURSABLE WORK ORDER (RWO)

A request to provide a product or service to the requestor which may entail expenditure of labor, material, services, or subcontractual support to fulfill the request, and with "funds" coming from outside the Operating Budget.

RESCISSION BILL

A bill or joint resolution that provides for cancellation, in whole or in part, of budget authority previously granted by the Congress. Under the Impoundment Control Act of 1974, unless Congress approves a rescission bill within 45 days of continuous session after receipt of the proposal, the budget authority must be made available for obligation.

RESOURCE AUTHORIZATION

Title of the Funding Document NAVCOMPT 2168-1, NAVCOMPT 372, etc., authorizing Obligation and/or Expense/Military Services Authority (funds).

RESOURCES

Resources consist of military and civilian personnel, material on hand and on order, and the entitlement to procure or use material, utilities, and services.

RESPONSIBILITY CENTER

The Department of Defense definition of a responsibility center is "an organization unit headed by an officer or supervisor who is responsible for the management of resources in the unit, and who in most instances, can significantly influence the expenses incurred in the unit." The Navy application of the DOD definition is that a responsibility center, as used in the Department of the Navy, is normally an activity listed in the Standard Navy Distribution List. However, there are situations where it may be either necessary or desirable to establish more than one responsibility center in an activity or to combine several activities into one responsibility center. Commandants of Naval Districts will normally have at least two responsibility centers--one for the Headquarters operations and one for the operation of the Naval reserve centers. Several activities would be combined in one responsibility center when the individual activities are considered small enough to justify the combination or when operational requirements make the combination necessary.

REVENUES

Money collected by the federal government as duties, taxes, or as premiums from social insurance programs.

REVOLVING FUND

A fund established to finance a cycle of operations through amounts received by the fund.

SEQUESTRATION

The automatic process of reducing Federal outlays, invoked through the Office of Management and Budget and the General Accounting Office, when the Congress and the President are unable to enact appropriation acts that meet the Gramm-Rudman mandated deficit levels.

SERVICES REQUEST

An order for services to be performed issued by an activity, organization, or private party to another. Documents utilized for this purpose are ordered for Work and Services (NAVCOMPT Form 2275), Requisition (DD Form 1145), and Request for Issue or Turn-In (DD Form 1150). The accepted order is the basic source of authority to incur costs and perform work.

SNAPSHOT

The estimate of the projected deficit for the upcoming fiscal year made by the directors of the Congressional Budget Office and the Office of Management and Budget on August 15 under the provisions of the Gramm-Rudman-Hollings Act.

STANDARD DOCUMENT NUMBER

A 15-character number assigned to each document prepared and processed as inputs to the financial system. The first six positions represent the Unit Identification Code of the issuing activity.

STORES ACCOUNT

An account reflecting the cost and/or the quantity of supplies on hand and available for issue.

SUBHEAD

A four digit numerical or alpha-numeric number identifying the first level subdivision of an appropriation used primarily for administration, accounting and control of an appropriation.

SUNSET CLAUSE

A provision in a law requiring either termination or automatic review at a preset date.

SUPPLEMENTAL APPROPRIATION

An appropriation enacted as an addition to a regular annual appropriation act. Supplemental appropriations provide additional budget authority beyond original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) for which the need for funds is too urgent to be postponed until the next regular appropriation.

SURCHARGE

A specified percentage of costs added to the regular charges for billing a customer. Normally the customer is a government department outside the Department of Defense, a foreign government or private party.

SURPLUS

The amount by which revenues exceed outlays.

TOTAL OBLIGATION AUTHORITY (TOA)

The sum of

- a. all budget authority granted (or requested) from the Congress in a given year,
- b. amounts authorized to be credited to a specific fund, and
- c. unobligated balances of budget authority from previous years which remain available for obligation.

In practice, this term is used primarily in discussing the Department of Defense budget but could be applied to other agencies' budgets as well.

TRANSACTION (FINANCIAL)

The conduct of business involving the participation of two or more parties for the purpose of exchange of goods or services for money or other considerations. A transaction is comprised of various stages before completion. The function of an accounting system is to identify, classify, and record transactions.

TRANSITION QUARTER

The three-month period (July 1 to September 30, 1976) between fiscal year 1976 and fiscal year 1977 resulting from the change from a July 1 through September 30 fiscal year to an October 1 through September 30 fiscal year beginning with fiscal year 1977.

TRIAL BALANCE REPORT

See NAVCOMPT Form 2199 definition.

UNDELIVERED ORDERS

An undelivered order is any document, meeting the criteria of an obligation, issued for material or services that has not as yet been received by the requesting/requisitioning activity. Includes material requisitions applicable to reimbursable orders issued for material to be delivered from a stock funded inventory, and purchase orders issued which city annual appropriations, and overhead material requisitions issued by modified industrial activities whose operations are principally financed by reimbursable orders. In effect, the amount of undelivered orders would be the total money value of all transmitted chargeable undelivered orders that have not been cancelled or have not been matched with corresponding expenditures for the Fiscal Year including partial orders established.

UNFUNDED REQUIREMENTS

Projects or previously unidentified needs, such as pay raises or inspection deficiencies, for which funds have not yet been provided.

UNIFIED BUDGET

Describes the way the federal budget is currently displayed. This display includes revenues and spending for all regular Federal programs and trust funds except Social Security, which was removed from budget totals beginning with fiscal year 1987. Prior to the creation of the unified budget in 1969, all trust funds were excluded from budget totals.

VOUCHER NUMBER

A serial number assigned to a voucher used to make payments to a contractor for delivery of supplies or performance of a service.

WARRANT

Official document issued pursuant to law (generally appropriation acts) by the Secretary of the Treasury and countersigned by the Comptroller General of the United States. Constitutes the basis on which monies can be withdrawn from the Treasury.

YEAR-TO-DATE (YTD)

Cumulative totals lodged against job orders or cost accounts from the beginning of the fiscal year to current date.

APPENDIX G

ACRONYMS AND ABBREVIATIONS

ABS	Amended Budget Submission
ACAT	Acquisition Category
ADP	Automated Data Processing
AG/SAG	Activity Group/Sub-Activity Group
APPN	Appropriation
ARC	Acquisition Review Committee
ARG	Annual Real Growth
ASD(C)	Assistant Secretary of Defense (C) Comptroller
ASN(FM)	Assistant Secretary of the Navy (FM) Financial Management
BA	Budget Activity
BA	Budget Authority
BAM	Baseline Assessment Memorandum
BCC	Budget Classification Code
"BLUE \$"	Navy Appropriations (CMO-Sponsored)
BOS	Base Operating Support
BMAR	Backlog of Maintenance and Repair
BP	Budget Project
BTAA	Baseline Task Area Appraisal
BY	Budget Year
CAIG	Cost Analysis Improvement Group
CBO	Congressional Budget Office
CEB	CNO Executive Board
CEP	CNO Executive Panel
CETS	Contract Engineering Technical Services
CF	Concept Formulation
CHMN	Chairman
CHNAVMAT	Chief of Naval Material
CHNAVPERs	Chief of Naval Personnel
CILOP	Conversion in Lieu of Procurement
CINCLANTFLT	Commander-in-Chief, U.S. Atlantic Fleet
CINCPACFLT	Commander-in-Chief, U.S. Pacific Fleet
CINCS	Commanders-in-Chief
CINCUSNAVEUR	Commander-in-Chief, U.S. Naval Forces, Europe
CMCPPPG	CMC Program Policy & Planning Guidance
CMD	Command
CNMPC	Commander, Naval Military Personnel Command
CNO	Chief of Naval Operations
COMM	Communications
COMOPTEVFOR	Commander, Operational Test & Evaluation Force

CPAM	CNO Program Analysis Memorandum
CPFG	CNO's Programming & Fiscal Guidance
CPPG	CNO Policy & Planning Guidance
CY	Two meanings:
	Calendar Year
	Current Year
DCA	Defense Communications Agency
DEPSECDEF	Deputy Secretary of Defense
DG	Defense Guidance
DNSARC	Department of the Navy Systems Acquisition Review Counsel
DOD	Department of Defense
DODINST	Department of Defense Instruction
DON	Department of the Navy
DPG	Defense Policy Guidance
DPPC	Defense Planning & Programming Category
DPQ	Defense Planning Questionnaire
DPRC	Defense Program Review Committee
DRB	Defense Resource Board
DSARC	Defense Systems Acquisition Review Council
FGC	Fiscal Guidance Category
FGM	Fiscal Guidance Memorandum
FLTCINCS	Fleet Commander-in-Chief
FM	Financial Management
FY	Fiscal Year
FYDP	Five-Year Defense Program
GAO	General Accounting Office
GNP	Gross National Product
GOR	General Operating Requirements
HAC	House Appropriations Committee
HASC	House Armed Services Committee
IDAFMS	Integrated Disbursing and Accounting and Financial Management System
IF	Industrial Fund
ILS	Integrated Logistics Support
IP	Issue Paper
IPS	Integrated Program Summary
IPSP	Intelligence Priorities for Strategic Planning
JCS	Joint Chiefs of Staff
JIEP	Joint Intelligence Estimate for Planning
JLRSA	Joint Long-Range Strategic Appraisal
JLRSS	Joint Long-Range Strategic Study
JMENS	Joint Mission Element Needs Statement
JMSNS	Justification of Major System New Starts
JPAM	Joint Program Assessment Memorandum
JSCP	Joint Strategic Capabilities Plan
JSPD	Joint Strategic Planning Document
JSPDSA	JSPD Supporting Analysis

LA	Legislative Affairs
LCC	Life Cycle Costing
LMI	Logistics Management Institute
LOE	Level of Effort Ordnance
LOG	Logistics
LRO	Long-Range Objectives
MBI	Major Budget Issue
MC	Mission Capable
MC	Major Claimant
MCN	Military Construction
MCNR	Military Construction Naval Reserve
MCON	Military Construction Navy
MCON(R)	Military Construction (Reserve)
MENS	Mission Element Needs Statement
MFI	Major Force Issue
MILCON	Military Construction
MILPERS	Military Personnel
MPN	Military Personnel, Navy
MSC	Military Sealift Command
MSPG	Material Support Planning Guidance
MYP	Multi-Year Procurement
NADEC	Navy Decision Center
NARM	Navy Resource Model
NAVCOMPT	Comptroller of the Navy
NAVSEA	Naval Sea Systems Command
NAVSECGRUCON	Naval Security Group Command
NAVSUP	Naval Supply Systems Command
NCB	Director of Budget & Reports, NAVCOMPT
NCD	Deputy Comptroller of the Navy
NCIS	Navy Cost Information System
NDCP	Navy Decisions Coordinating Paper
NAFC	Navy Accounting Finance Center (also NAVFINCEN)
NIF	Navy Industrial Fund
NLRG	Navy Long-Range Guidance
NMPC	Naval Military Personnel Command
NOA	New Obligational Authority
NSF	Navy Stock Fund
OJCS	Organization of the Joint Chiefs of Staff
OMB	Office of Management & Budget
OPA	Office of Program Appraisal
OPN	Other Procurement, Navy
OPNAV	Office of the Chief of Naval Operations
OPTEVFOR	Operational Test & Evaluation Force
OSD	Office of the Secretary of Defense
O&M	Operations & Maintenance
O&M,N	Operations & Maintenance, Navy

PBD	Program Budget Decision
P&P	Plans and Programs
PC	Program Coordinator
PCD	Program Change Decision
PCP	Program Change Proposal
PCR	Program Change Request
PD	Presidential Decision
PDM	Program Decision Memorandum
PDRC	Program Development Review Committee
PE	Program Element
PEDD	Program Element Descriptive Data Sheet
PEDS	Program Evaluation and Decision Summary
PMA	Program/Project Manager at NAVAIR
PME	Program/Project Manager at NAVELEX
PMR	Primary Mission Readiness
PMS	Program/Project Manager at NAVSEA
POA&M	Plan of Actions & Milestones
POM	Program Objectives Memorandum
PPBS	Planning, Programming & Budgeting System
PPI	POM Preparation Instructions
P3I	Preplanned Program Improvement
PRG	Program Review Group
PWO	Public Works Officer
PY	Prior Year
QPR	Quarterly Progress Report
RAD	Resource Allocation Display
RFP	Request for Proposal
RIC	Resource Identification Code
RMS	Resource Management System
SAC	Senate Appropriations Committee
SAG	Sub-Activity Group
SAR	Selected Acquisition Report
SASC	Senate Armed Services Committee
SCN	Shipbuilding & Conversion, Navy
SCP	System Concept Paper
SECDEF	Secretary of Defense
SECNAV	Secretary of the Navy
SECNAVINST	Secretary of the Navy Instruction
SF	Stock Fund
SYS	Systems
SYSCOM	Systems Command (AIR, SEA, ELEX, FAC, SUP)
T&E	Test and Evaluation
UIC	Unit Identification Code
UNSECNAV	Under Secretary of the Navy
USC	United States Code
USD(P)	Under Secretary of Defense for Policy
VCNO	Vice Chief of Naval Operations
ZBB	Zero Base Budgeting

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